FINANCIAL TIMES

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Ciampi ready to stand down as Italian premier

Italy's prime minister Carlo Azeglio Ciampi said he was ready to leave office, having completed his government's mandate. The 73-year-old former governor of the Bank of Italy also said he would not stand in forthcoming general elections.

Mr Ciampi's comments are in line with promises made in May when he agreed to be Italy's first non-elected premier this century. He said then that his two essential tasks were to obtain approval for an austerity budget for 1994 and to complete the process of electoral reform. Both have been achieved. Mr Ciampi noted that the decision on the dissolution of parliament was out of his hands. Page 10; Gelli holdings seized, Page 2

Euro Disney shares continued to fall. After losing more than 8 per cent of their value on Monday, they shed a further FFr1.35 to close at FFr29.05 in Paris. Market analysts said investors' anxieties about the prospects for a refinancing package for the loss-making group had been compounded by press reports that some banks had tried to sell their outstanding Euro Disney loans at a sharp discount. Cold comfort park, Page 8; World stocks, Page 28

Bulgaria expels Zhirinovsky: Bulgaria ordered Russian ultra-nationalist leader Vladimir Zhirinovsky to leave within 24 hours for insulting President Zhelyu Zhelev. He angered Bulgarians with a call on their first democratically-elected president to resign, introducing a Bulgarian friend and adviser as the nation's future leader. Zhirinovsky party lead confirmed, Page 2

Japan's prime minister sees upturn

Japanese prime minister Morihiro Hosokawa (left) predicted a national economic upturn by next summer and brushed aside the latest rash of gloomy indicators. He was speaking four days after unveiling a six-point economic plan for deregulation and tax reform, widely criticised by business leaders as lacking substance. Page 3; Crackdown on pay-offs, Page 3; Editorial Comment, Page 9

Vauxhall, UK subsidiary of General Motors, has suffered a fall in pre-tax profits of about 17 per cent this year but has remained the most profitable carmaker in Britain. Page 11

Mazda, troubled Japanese carmaker, will accept three full-time senior executives from Ford, the US carmaker which is its largest shareholder, in a move to ensure its long-term survival. Page 11

Black Sea fleet offices seized: Armed Ukrainian marines seized two offices of the disputed Black Sea fleet which is shared with Russia. They prevented officers from entering military engineering units in Odessa and Ismail.

A phantom EMI: The European Monetary Institute, expected to be set up on January 1 to supervise the move to economic and monetary union, will lead a phantom existence for its first six months. Page 10; Editorial Comment, Page 9

Swaps legal fight: A London council is to "vigorously contest" a legal action brought against it by Crédit Commercial de France, one of France's biggest banks, which is trying to recover losses from interest rate swap agreements. Page 4

Seoul railway talks: South Korea said it would extend talks for its $2.4bn high-speed railway project and has asked a German consortium, which appeared to have lost the battle for the contract, to maintain its offer. Page 3

Wellcome Trust, medical research charity, will retain its near 40 per cent in the Wellcome pharmaceutical group for the time being. The news could lift one of the clouds which has overhung the drug company's shares. Page 11

America West Airlines bid: New York money manager, Michael Steinhardt, has offered to pay $250m to gain control of America West Airlines, the struggling carrier which has been in Chapter 11 bankruptcy for the past two and a half years. Page 11

Russian share auction: Russia opened an auction for shares in its biggest oil company, allowing people to swap privatisation vouchers for a stake in oil producer Surgutneftegaz. Page 2

Iranian fun park: Tehran has launched a $57m project to build an amusement park, sports complex and cultural centre at the site of a red-light district razed in 1988, Iranian television reported.

STOCK MARKET INDICES

FT-SE 100 (24/12)	3412.3	(+15.8)
Yield	3.45	
FT-SE Eurotrack 100	1458.40	(-0.10)
FT-A All-Share	1677.01	(+0.4%)
Nikkei	17,131.21	(+311.33)
New York: lunchtime		
Dow Jones Ind Ave	3792.65	(-0.29)
S&P Composite	470.80	(+0.29)

US LUNCHTIME RATES

Federal Funds	3%
3-mo Treas Bills: Yld	3.118%
Long Bond	100½
Yield	6.24%

LONDON MONEY (24/12)

3-mo Interbank	5⅜%	(5⅜%)
Liffe long gilt future	Dec 120½	(Dec 120⅔)

NORTH SEA OIL (Argus)

Brent 15-day	$-	(12.64)

Gold

New York Comex Dec	$387.4	(385.5)
London (24/12)	$388.75	(385.5)

STERLING

New York lunchtime:		
$	1.5045	
London (24/12):		
$	1.502	(1.504)
DM	2.545	(2.5475)
FFr	8.6825	(8.6775)
SFr	2.1775	(2.1575)
Y	166.25	(166.25)
£ Index	81.7	(same)

DOLLAR

New York lunchtime:		
DM	1.6985	
FFr	5.79275	
SFr	1.438	
Y	111.35	
London (24/12):		
DM	1.695	(1.6935)
FFr	5.78	(5.77)
SFr	1.4385	(1.434)
Y	110.9	(110.55)
$ Index	66.5	(66.7)

Tokyo close Y 111.45

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$13	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft155	Morocco	MDh13	Singapore	S$4.10
Bulgaria	[illegible]	Iceland	[illegible]	Neth	Fl 3.75	Slovak Rp	[illegible]
Cyprus	[illegible]	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	[illegible]	Israel	Shk5.00	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2300	Oman	OR1.50	Sweden	SKr15
Egypt	[illegible]	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	[illegible]	Philippines	Pso45	Syria	£S50.00
France	FFr9.00	Kuwait	Fils500	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.20	Lebanon	US$1.25	Portugal	Esc215	Turkey	L9000
						UAE	Dh11.00

Bank of Spain dismisses bank board after detecting equity deficit

Banesto on brink of collapse

By Peter Bruce in Madrid

The Bank of Spain yesterday dismissed the entire board of Banco Español de Crédito, the country's fourth largest bank, threatening the biggest banking failure in Spanish history and the possible break-up of Banesto and its large industrial empire among the rest of Spain's large banks.

The central bank acted after market rumours of Banesto's imminent collapse sent its stock into free fall yesterday morning and started a run on deposits in Madrid. Trading in the stock was suspended at midday, having fallen about 7 per cent to Pta2,135.

Mr Alfredo Sáez, deputy chairman of Banco Bilbao Vizcaya, was named by the Bank of Spain as Banesto's new chairman in place of Mr Mario Conde, the dashing former industrialist who took charge of Banesto in late 1987 and has tried and finally failed to persuade banking authorities that Banesto, the most vulnerable of Spain's large banks, could survive on its own.

Mr Sáez and four other directors – one each from Banco Central Hispano, Banco Santander, Argentaria, the state-owned banking group, and Banco Popular – immediately took charge of Banesto late yesterday afternoon.

The collapse of Banesto and the removal of Mr Conde will be a particularly bitter blow to J P Morgan, the US investment bank and its deputy chairman, Mr Roberto Mendoza, who was recently named to the now-dismissed Banesto board. Banesto was the first investment of the $1bn Corsair banking fund created by J P Morgan. Corsair owns nearly 9 per cent of Banesto.

JP Morgan has also acted as an adviser this year to Banesto during the raising of nearly $1bn in new capital.

Mr Alfredo Pastor, the deputy economy minister, said a second semester Bank of Spain inspection at Banesto had discovered a much larger equity deficit than anticipated.

The results of this inspection had been studied by Mr Luis Angel Rojo, governor of the Bank of Spain, and senior staff just two weeks ago and urgent talks had taken place with Banesto about ways to shore up its finances.

Mr Pastor said no decision had been made about Banesto's future. "The intervention today is the end of a long process," he said. An inspection in 1993 had detected gaps in Banesto's finances but the central bank and Mr Conde had agreed upon a timetable to raise new equity and to rebalance the bank's loan portfolio. But, Mr Pastor said, "the situation in 1993 has worsened", despite the fact that Banesto had raised more than $1bn in fresh capital through share sales and disposals.

Bankers said it had become quite widely known in the last two weeks that the central bank had been contemplating intervening in Banesto. The run on deposits yesterday had given the bank a legitimate excuse to replace Mr Conde and his board.

In a statement, the central bank said: "Banesto's current situation obliges it to take restructuring measures that cannot be undertaken alone and which require the support of the whole banking system." It said it had moved in order to guarantee the liquidity of Banesto in both domestic and foreign markets.

It had been assumed that the money raised with J P Morgan's help this year, plus the proceeds of the sale of a banking subsidiary to Deutsche Bank, had

Continued on Page 10

German recession over, says economics minister

By Judy Dempsey in Berlin

Germany's recession is over and the country can look forward to steady and strong recovery next year, Mr Günter Rexrodt, economics minister, said yesterday. "At the end of the year, it is becoming clearer that the German economy has come out of the trough," he said.

Mr Rexrodt, who repeated his call for greater flexibility in working hours, said he expected the economy, which this year will have shrunk by 2 per cent, to grow between 0.5 per cent and 1 per cent in 1994. Those forecasts support recent estimates by the Bundesbank, as well as reports issued yesterday by the RWI institute for economic forecasting at Essen, and the Cologne-based IW institute.

Several of Germany's prominent economic institutes and business groups have warned, however, about continuing high unemployment, low investment and structural obstacles to Germany's competitiveness.

The IW, which published its traditional end-of-year poll of industry yesterday, warned that the recovery would not be sustainable if growth was not matched by higher investment and exports and a tighter control on wages.

Only a quarter of the sectors polled expected a rise in production next year, largely due to declining export orders and high labour costs. However, the number of respondents who said they expected a fall in turnover over the coming year – nearly half in last year's survey – has fallen to a third.

No institute or business group foresees any improvement in the labour market. "Hopes of a quick recovery which will noticeably benefit the labour market are premature," said Mr Hans Peter Stihl, head of the German Federation of Chambers of Commerce. The economic institutes predict that unemployment, at present 7.8 per cent of the west German labour force, may rise to between 8.2 and 9.5 per cent next year even if the economy grows.

Tide of gloom starts to ebb, Page 8

Consumers and industry set to spur US growth

By George Graham in Washington

US businesses and consumers are getting ready to spend heavily on big investments, raising hopes of strong growth next year.

Government and private sector economists say the recovery looks likely to be sustained well into 1994 as consumers buy cars and houses, while businesses speed up investment in machinery and computer equipment.

The Conference Board reported yesterday that its closely watched index of US consumer confidence rose strongly again this month to 80.2, from a revised 71.9 in November, giving a rise of 20 points in two months.

Only the Pacific and middle Atlantic regions still show lower levels of confidence than a year ago, and both have shown some recovery in optimism in the last two months.

The December survey marked the sixth consecutive month in which consumers' assessment of their situation had improved, although the biggest rise came in future expectations.

Reports from credit card companies show that consumers have been taking their new-found confidence shopping, with Mastercard seeing credit card sales up 24 per cent in the pre-Christmas period this year, and Visa experiencing 32 per cent growth.

Meanwhile, the Commerce Department's sector-by-sector review of US industry predicts a median growth rate of 2.8 per cent in manufacturers' shipments next year.

The rise is led by the sale of 14.8m cars and light trucks, a solid 6 per cent increase from this year, and by the construction of 1.3m new homes, a 4 per cent gain from 1993. Shipments of household appliances are expected to grow by 3.6 per cent.

Mr Jeffrey Garten, undersecretary of commerce, said the anticipated strength of car sales was "extremely good news not just for the auto industry but for the entire economy".

The fastest growing industrial sectors in the Commerce Department's annual review both benefit from the strong car industry: metal cutting machinery, whose sales are projected to grow by 12.8 per cent, and electronic components, where an 11.1 per cent advance is expected.

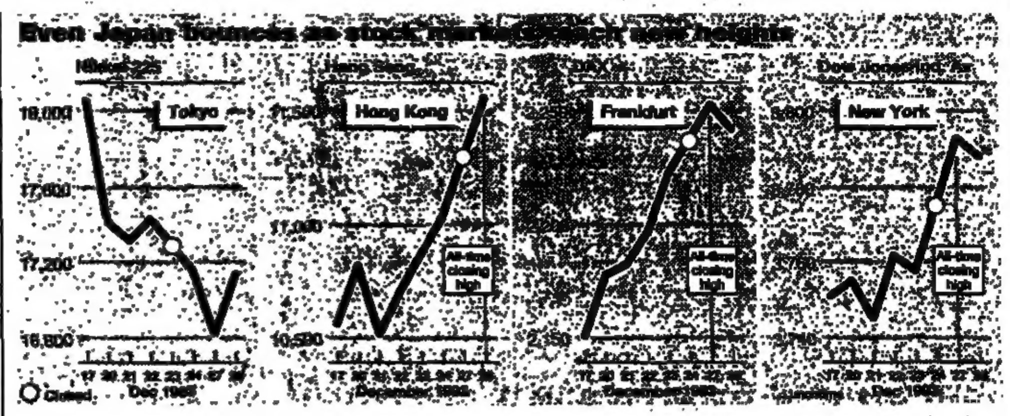
The weakest sectors are expected to be defence-related industries such as aircraft parts, navigational equipment and shipbuilding.

In services, the department also predicts a 22.6 per cent rise in space commerce revenues as space launches and satellite communications expand. Data processing, electronic information and general merchandise retailing are also expected to grow by 14 per cent or more.

The healthcare industry is expected to grow by 12.5 per cent, with revenues exceeding $1,000bn.

In financial services, the Commerce Department predicts a decline in venture capital, and expects savings institutions to lose some of their share of the mortgage market. The banking sector is expected to be profitable for the third consecutive year.

Clinton – Year One, Page 9



European equities remain flat as SE Asia sets records

By Peter Martin in London

The end-of-year rally in world equities paused yesterday in many markets, but continued in south-east Asia.

Shares closed flat or slightly down in most Continental markets, and were mixed at lunchtime in New York as investors caught their breath after Monday's strong gains. Trading was thin and London markets were closed.

In south-east Asia, however, four markets closed at record levels on Tuesday. The biggest gainer was Hong Kong, where foreign buying pushed the market up 4.8 per cent to a new record, on strong volume. The Hang Seng index closed at 11,570.22, up 530.38 points, the biggest one-day rise on record.

New highs were also set in Singapore, Bangkok and Karachi, with strong performances in Taiwan and Kuala Lumpur. Monday's trading had set records also in Bangkok, Jakarta and Manila.

In Japan, the Nikkei 225 index rose 311.33 to 17,131.21 in light trading, recovering half the 3.6 per cent it lost in the previous two trading days.

In the US, the Dow Jones Industrial Average was down 4 points at lunchtime at 3,789, after closing at a record high of 3,792.93 on Monday.

In Germany the DAX index touched a record intra-day high of 2,284.56 but ended floor trading at 2,242.82, a drop of 0.5 per cent from Monday's close. In later trading on the electronic Ibis system the DAX closed at 2,236.18.

After three days of new records, French shares finished lower yesterday, with the CAC-40 index down 0.52 per cent. Shares in Spain lost all Monday's gains and more, closing 1 per cent down on the day, thanks to concern about Banesto. An interest rate cut in Belgium helped the market to buck the trend; Belgian shares closed 0.76 per cent higher at a new record.

Continental government bond markets saw little activity, although the German government successfully launched its new 30-year bond. At lunchtime US Treasuries were steady above their lows, with the long bond down ¼, to yield 6.25 per cent.

On foreign exchange markets, sterling strengthened slightly. Against the D-Mark, it ended the day at DM2.5630, up from Friday's DM2.545. Against the dollar it finished at $1.5065, compared with Friday's $1.502.

Bonds, Page 16
Currencies, Page 19
World stocks, Page 25

Hong Kong stocks strong despite pressure from China

By Louise Lucas in Hong Kong

Hong Kong markets yesterday shook off a statement by China that it no longer agreed to let Hong Kong politicians serve beyond 1997, when Beijing is to assume sovereignty over the British colony.

The stock market's Hang Seng index posted its biggest one-day rise, in terms of points, taking its increase during 1993 beyond 100 per cent.

In a statement on Monday, China said all colonial laws on terms for elected local councillors and legislators would be abolished on July 1 1997, takeover day.

The Legislative Council, the municipal councils and district boards should be disbanded and reorganised under the Basic Law, the territory's post-1997 constitution, the Hong Kong and Macao Affairs Office in Beijing said.

Beijing said it had hoped transitional arrangements could have been made on the basis of the principles of convergence with the Hong Kong Basic Law and through negotiations with the British government.

"It is a pity that no agreement has been reached due to deliberate sabotage by the British side," it said.

The expectation had been that legislators and local councillors would serve their full terms, past the change of sovereignty.

Beijing's statement followed the breakdown in talks over British proposals for an extension of democracy in the colony before 1997.

Mr Chris Patten, the Hong Kong governor, introduced what were called non-controversial elements of the bill on December 15, after 17 largely fruitless rounds of talks. That set off a renewed attack from China.

However, observers see Beijing as keeping its options open and the statement as China's latest tactical move in its war of words with Britain.

The Hong Kong government said the statement appeared to be in breach of joint commitments to maintain stability and prosperity in the colony.

The Hang Seng index, which was closed on Monday, yesterday rose 530.8 points to close at a record high of 11,570.22. It was the biggest one-day rise recorded on the exchange in point terms. The previous record, on December 16, was a jump of 394.40 points.

Brokers said foreign funds continued to pour into Hong Kong, stimulated by the new highs achieved on Monday on other Asian markets.

CONTENTS

No 32,253 Week No 52 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Russia sells shares in big oil concern

By Jill Barshay in Moscow and agencies

Russia yesterday opened an auction for shares in its biggest oil company, allowing people to swap privatisation vouchers for a stake in oil producer Surgutneftegaz.

More than 3.6m shares, with a face value of Rbs1,000, are on offer in the nationwide auction. Officials said this represented about 18.25 per cent of the company's capital.

The auction is to close on January 24, and officials said the selling price of shares would be set after the bidding had closed. Demand on the first day was not particularly strong, they said.

Surgutneftegaz produced 42.5m tonnes of oil (850,000 barrels per day) in 1992, more than 10 per cent of total Russian oil output. But production is expected to fall sharply this year.

The privatisation auction had been due to open on December 1 but was postponed after a row between the Russian property committee and the Surgut regional authorities in western Siberia which wanted to restrict sales to the region.

Deputy Prime Minister Anatoly Chubais said yesterday that "the bulk of privatisation has been completed in the past two years" and that the process was "irreversible".

President Boris Yeltsin has promised to continue a policy of economic reform despite the nationalist victory at the polls. Last week, he authorised the privatisation agency headed by Mr Chubais to designate insolvent enterprises and open bankruptcy proceedings in arbitration courts.

The Russian government has moved to speed up bankruptcies next year as part of its economic reforms.

This is not the first time Mr Yeltsin and others have resolved to push ahead with bankruptcies. But, since Russia's bankruptcy law came into force in March, only one small kitchen-knife factory has filed successfully.

The presidential decree outlines some practical procedures for the bankruptcy law, but does not set deadlines or require published lists of insolvent enterprises. The decree must also be reviewed by the new parliament.

Mr Chubais acknowledged yesterday that Russia's privatised companies had changed little in the way they operated. "It would be very naive to expect that, after the first day of privatisation, a state enterprise would cut its production costs four times and double its profits," he said..

Roof falls in on Spanish union ambitions

Government has had to step in to save housing empire, writes **Peter Bruce**

SPAIN'S largest and most belligerent trade union, the socialist General Workers Union (UGT), has been embarrassed by the collapse over Christmas of its housing and financial empire just a month before a general strike it is leading against government reforms of the labour market.

Only the despised government, by making new credits available to the UGT businesses, can keep them going and save the union from both financial catastrophe and the anger of thousands of working class families who have joined its co-operative venture to build new homes, mainly around Madrid.

Ministers and senior officials have been struggling to contain their delight at the discomfort of the UGT's outgoing leader, Mr Nicholas Redondo, who has led calls for the strike.

The government has clearly got Mr Redondo in an awkward position. One barely straight-faced official said earlier this week: "We make no connection between the strike and the UGT's business troubles."

Two days earlier, the government's official credit institute had agreed to help keep total bankruptcy from the door of the holding company, IGS, with a loan of Pta10bn (£49m). In return, the UGT has been forced to pledge all its assets – including the Pta10bn property portfolio given to it and other unions after the restoration of Spanish democracy in the late seventies – as a guarantee.

IGS and its property co-operative, PSV, have gone into receivership after paying off three big creditors with the help of the government loan. But there are many others. Overall IGS owes more than Pta40bn and at the rate IGS losses are running, the government loan, only Pta1.2bn of which is new money, will not last long.

The affair, though not yet tainted with accusations of corruption, bears a disconcerting resemblance to the collapse of Neue Heimat, the huge housing group mismanaged and finally lost in 1987 by the Deutsche Gewerkschaftsbund (DGB), the German union federation.

IGS and PSV were modelled on the DGB's business ambitions. The DGB was, in fact, an early and short-lived partner in Unial, an insurance company set up by the UGT to try to capture business from members in the early 1980s.

But at the time when Neue Heimat was collapsing around the heads of their German cousins, the UGT leaders, and Mr Redondo in particular, let themselves be persuaded that they should become the motor of a huge housing programme for workers and created IGS and PSV along with a private company. The union would supply home buyers and the private sector partner would secure financing.

In 1988 IGS had plans to build 5,000 homes. That quickly swelled, along with the UGT's sense of its own importance, to 20,000. IGS created a construction and a mortgage company and a travel club for people who paid up to buy homes or deposited money, in the hopes of getting a home, with IGS.

Estimates vary, but it is thought that between 20,000 and 50,000 people have either begun paying or saving for UGT-provided homes.

Spanish unions have relatively few members but they were given great property-based wealth and factory-floor power after the end of General Franco's dictatorship. The UGT was also very close to the Socialist government of Mr Felipe González when it was first elected in 1982 but has become a political opponent in recent years as government economic policies have drifted to the right.

The explosion of speculative ambition at the UGT has a lot to do with the hierarchical structure of the union and the detachment of the union leadership from workplace issues. Union leaders see themselves as big players on the national political scene but their isolation from power recently has forced Mr Redondo especially to seek other ways of political expression.

Providing cheap housing for the masses was one way of showing Spain (or perhaps Mr González) what he was capable of. General strikes – a success in December 1988 and a flop in 1992, with plans for a third next month – are another.

But it is all going badly. If the government is to be believed, the strike on January 27 will not alter its determination to loosen the rigid Francoist labour practices that make it cripplingly expensive to fire workers in Spain.

The failure of IGS is probably the final humiliation circumstance will force upon Mr Redondo, who is retiring in 1994. It was he who first propelled Mr González to the leadership of the Socialist party in 1974 while it was still in exile. Now the two men do not speak.

Now, as angry IGS "clients" clamour for their money outside IGS headquarters in Madrid, Mr González is sure to be working hard to wrest maximum political benefit from the UGT's financial straits, by securing before January 27 the savings and hopes of the home buyers who put their faith in the UGT.

A government-inspired rescue of IGS will not avert the planned strike but it will nicely blur the picture that unions have drawn of him as a waster of public money and a destroyer of dreams.

Team mates: Dave Beck, the US union chief who with Jimmy Hoffa helped build the Teamsters into a powerful union, has died in Seattle at 99. Pictured above right with Hoffa in 1957, Beck was the first Teamsters' leader to fall foul of US corruption laws. He went to jail for income tax evasion and was convicted of embezzlement. Associated Press

Foreign policy step up for Clinton friend

By Jurek Martin, US Editor, in Washington

Mr Strobe Talbott, the Clinton administration's most prominent Russian expert, was yesterday named deputy secretary of state, replacing Mr Clifton Wharton, who was in effect fired last month.

The 47-year-old former journalist with Time magazine was a Rhodes Scholar at Oxford University and a room-mate of President Bill Clinton, with whom he has retained a close personal relationship.

Mr Talbott is a newcomer to government but, over the last year, he has won the confidence of Mr Warren Christopher, secretary of state, in the specially created portfolio of ambassador-at-large to the former Soviet republics.

He will continue to exercise responsibility in this critical area of US foreign policy, with his current deputy, Mr James Collins, former number two at the Moscow embassy, becoming acting ambassador-at-large.

The elevation suggests that the newly modified US approach to reform in Russia – in Mr Talbott's words, "less shock, more therapy" – will remain in place for the foreseeable future.

Mr Talbott was picked by Mr Christopher from a changing short list that included several diplomats with more formal bureaucratic experience, among them Mr Tom Pickering, ambassador to Russia, Mr Winston Lord, under-secretary for Asian affairs, and Mr Morton Abramowitz, head of the Carnegie Endowment, a Washington think-tank, but a critic of US policies on Bosnia.

His appointment is expected to presage a further shake-up in the upper reaches of the widely criticised State Department. Among the candidates for early departure are Mr Samuel Lewis, head of the policy planning staff. There was even speculation yesterday that Mr Talbott had emerged as a prospective secretary of state in case Mr Christopher leaves during Mr Clinton's first term.

Mr Talbott, partly because of his journalistic career and his familiarity with Washington ways, is reckoned good at those aspects of the public presentation of foreign policy in which the often dour Mr Christopher is considered deficient.

Gelli bank holdings seized by magistrates

By Robert Graham in Rome

The financial activities of Mr Licio Gelli, controversial head of the secret Italian Masonic lodge, P2, have come under the spotlight following the seizure of more than L16bn ($9.6m) worth of bank assets held in his name.

The assets were seized on Monday under a law permitting magistrates to do so if they suspect that a person's wealth stems from illicit operations.

Mr Gelli is the subject of at least three separate criminal investigations. Last year he was sent for trial for alleged links with the Mafia.

He has also been linked to some of the murkier episodes in post-war Italian history including the 1982 collapse of the Banco Ambrosiano and the death of the banker Roberto Calvi. However, he has been able to carry on extensive financial activities over the past decade.

The move against Mr Gelli promises to begin to lift the veil on the little-investigated activities of the Freemason movement in Italy and its suspected connections with organised crime and with the far right and secret services.

Mr Lucio Violante, head of the parliamentary anti-Mafia commission, said yesterday that Mr Gelli until now had clearly benefited from protection from within the establishment. He also called for a thorough investigation into those banks which had agreed to do business with him.

Rome magistrates claim Mr Gelli bought treasury bills and commercial paper from various banks between 1989 and 1992 to the value of L16.4bn. In this period his total declared tax income was L138m. Mr Gelli has denied any wrong-doing.

Zhirinovsky party lead in duma confirmed

By Jill Barshay

Official results of Russia's December 12 general election, published yesterday, confirm the strong showing of nationalist and former Communist parties.

In the lower house of parliament, or state duma the ultranationalist Liberal Democratic party led by Mr Vladimir Zhirinovsky secured 64 seats, followed by the pro-reform Russia's Choice with 58 seats.

Other results were: Communist party (48), Agrarian party (33), Women of Russia (23), Yabloko (22), Party of Russian Unity and Concord (19), the Democratic Party of Russia (14), other parties (33) and those with no party affiliation gained 130 seats.

In the federal assembly (upper house), the composition was very different as the election law did not reserve any seats for parties. The overwhelming majority, 143 out of 171, claimed no party affiliation.

● Mr Anatoly Lukyanov, a Communist party member on trial for his role in the failed Soviet coup of August 1991, was "almost unanimously" elected chairman of the temporary co-ordination commission of the new parliament.

The party yesterday announced that about 20 representatives of parties had selected Mr Lukyanov, who was elected in the general election from his region of Smolensk in western Russia.

Mr Lukyanov was once chairman of the Soviet congress of people's deputies, the parliament of the Gorbachev era.

He has been released from jail since being accused of high treason but could face the death sentence if convicted in the protracted coup trial.

Widespread praise for six-month spell presiding over EU

Belgium bows out to applause

By Lionel Barber in Brussels

As Belgium prepares to hand over the rotating presidency of the European Union to Greece on January 1, the coalition government in Brussels is basking in praise for its six-month stewardship of the EU.

The European Commission said this week that the Belgian presidency had been active and productive, a view generally shared among the permanent delegations in Brussels.

Achievements include a delicate brokering role which helped to conclude the world trade talks under the General Agreement on Tariffs and Trade; a deal on the location of almost a dozen European institutions, including the European Monetary Institute in Frankfurt; a share-out of development funds; and much unglamorous but necessary work implementing the Maastricht treaty.

Belgium's performance defied predictions that its presidency would prove ineffective because of a weak coalition government, linguistic divisions and labour unrest.

Despite the regular presence of dozens of anti-riot trucks in Brussels in the past half year, fears that the government might fall in the face of opposition to its "social pact" – the most ambitious austerity programme since the second world war – proved unfounded.

As a founder member of the European Community in 1958 and one of the smaller EU states, Belgium has become used to subordinating its own national interests to achieve compromise. In this respect, says Mr Peter Ludlow, head of the Brussels-based Centre for European Studies, Belgium's has been "a model presidency".

Personalities count, too. Though occasionally irascible, Mr Willy Claes proved an effective chairman of the general affairs council comprising EU foreign ministers; and Mr Philippe Maystadt showed why he is one of the more respected finance ministers in Europe.

Both benefited from the advice of Ambassador Philippe de Schoutheete de Tervarent, Belgium's long-serving permanent representative to the EU.

It was Mr Claes and Mr de Schoutheete who helped to keep France within the European fold during the Gatt trade talks, taking the sting out of relations between Mr Alain Juppé, the French foreign minister, and Sir Leon Brittan, the chief trade negotiator.

Similarly, both men calmed down European parliamentarians and persuaded them to compromise on a new accord governing the roles of EU institutions post-Maastricht. Mr Jean-Luc Dehaene, Belgium's pugnacious prime minister, and Mr Claes are also credited with buoying up a moody Mr Jacques Delors before he delivered his white paper on growth and competitiveness to acclaim at the Brussels summit this month.

Criticism of the Belgian presidency focuses on the less-than-smooth running of second-tier EU councils such as environment, agriculture and research. The "green-leaning" Danes, Dutch and Germans were also unhappy about the compromise on waste packaging which they argue will damage the environment.

Like its predecessors, the Belgian presidency proved unable to make real progress in the Bosnian conflict. Talks this week in Brussels identified some points of agreement; but Mr Claes was reduced to describing as "pathetic" Bosnian Serb excuses for not reopening Tuzla airport to allow resumption of humanitarian aid to starving refugees.

US raps Japan over chip trade

The Clinton administration yesterday turned the heat up in a dispute with Japan over semiconductor trade, suggesting Japan was reneging on an international agreement, Reuter reports from Washington.

Mr Lawrence Summers, the Treasury's undersecretary for international affairs, said during a Cable News Network interview that Japanese companies were still discriminating against US suppliers and it was time they stopped.

Mr Mickey Kantor, US trade representative, had earlier called for emergency talks with Japan after a report of a new drop in Japan's purchase of foreign semiconductors.

In the fourth quarter of 1992, Japan bought 20.2 per cent of its semiconductors from foreign sources, but the share fell for the third quarter of this year to 18.1 per cent.

"This latest share number raises serious concerns regarding Japan's commitment to fully implement the semiconductor arrangement," Mr Kantor said. The accord calls for Japan to improve its market share of foreign semiconductors to an average 20 per cent.

Mr Kantor said a meeting next month would consider a joint plan to "improve dramatically foreign share and access" to Japan's market.

However, Mr Hidehiko Yoshida, chairman of the Electronic Industries Association of Japan's committee that monitors foreign semiconductors, said yesterday that foreign chip suppliers' sales in Japan in the April-September period of 1993 were up by 26 per cent, or $4.5bn, from a year earlier. "The market share figures do not fully reflect the efforts of Japanese users," he said.

Venezuela's GDP declines by 1%

By Joseph Mann in Caracas

Venezuela's central bank has said that gross domestic product shrank by 1 per cent in 1993, compared with real growth of 6.8 per cent last year and 9.7 per cent in 1991. The large oil sector grew in real terms by 3.4 per cent thanks to large capital spending by PDVSA, the national oil company. However, the rest of the economy contracted by 1.7 per cent, the bank said.

Inflation topped 45 per cent for the year, according to early estimates, against 32 per cent in 1992.

The government's gross international monetary reserves now stand at $12.5bn, down 4 per cent from a year ago. This decline was quite small for a year marked by the removal of an elected president to face corruption charges, national elections earlier this month, a wave of bombings in the capital and general political tension created by two failed coups in 1992.

The central bank estimated 1993 exports at $14.2bn, up slightly from the previous year, and imports of $11bn, down 10 per cent from 1992. The current account showed a deficit of more than $1.8bn, against $3.4bn in 1992.

The public sector deficit was 3.6 per cent of GDP, an improvement on the 5.8 per cent deficit last year.

EU ministers wrap up agreement on packaging

But arguments on recycling are set to continue, writes **Neil Buckley**

Consumers across the European Union could soon be sorting through their household waste to pick out bottles, plastics and other materials for recycling, following an agreement reached by environment ministers before Christmas.

The compromise agreement on waste recovery and recycling targets in the EU's directive on packaging and packaging waste will have important consequences for Europe's packaging and waste management industries as well.

It was reached after 18 months of wrangling between member countries and lobbying by the packaging industry, which believed original targets in a draft published last year were too severe.

The argument, however, is not over. The directive must be ratified by the European parliament, and was opposed by ministers from Germany, Denmark and the Netherlands, who were demanding tougher targets.

Germany is expected to campaign hard for amendments. After introducing the most ambitious targets in Europe for waste collection and recycling two years ago, it is already exceeding the proposed targets and has been forced to export large quantities of packaging waste after its own recycling industry proved inadequate.

The council of environment ministers agreed that within five years of the directive's implementation:

● Not less than 50 per cent, but no more than 65 per cent, of packaging waste should be recovered rather than simply dumped.

● A minimum of 25 per cent, and maximum of 40, should be recycled, with a minimum of 15 per cent of each category of material.

Within 10 years, the council would have to agree a "substantial increase" in these percentages.

This is somewhat softer than the original draft, which called for 90 per cent of packaging to be recovered within 10 years, with 60 per cent recycled.

Moreover, some exemptions were granted to Greece, Ireland and Portugal, because of their geographical position on the fringes of the EU, and their comparatively low consumption of packaging.

Ministers also agreed that member countries would be allowed to exceed the targets, but only if this did not lead to a distortion of the European internal market for packaging through those countries exporting the waste.

That means a German company, for instance, might be prevented from exporting excess packaging waste to other member states, unless there was a bilateral agreement with a country prepared to take it.

The compromise received a cautious welcome from packaging organisations.

Mr James Jensen, director general of the Packaging Federation, which represents some of Europe's largest packaging companies, called it a "victory for common sense".

"What has emerged is a good balance," he added.

Ms Jane Bickerstaffe, technical director of Incpen, the London-based Industry Council for Packaging and the Environment, was more cautious. She said the targets were "more realistic, more sensible", but the directive faced a rough passage through the European parliament.

Mr David Veitch of Procter and Gamble Europe, a member of the executive committee of the European Recovery and Recycling Association, said he was pleased ministers had recognised the need to review the targets later, according to the progress being made and available technology.

Reaction in Germany, the Netherlands and Denmark, has been predictably negative.

Mr Hans Alders, Dutch environment minister, said the directive had been so weakened it had "nothing to do with the environment". Mr Klaus Töpfer, German environment minister and architect of the country's environmental legislation, said the agreement would set back progress on environmental protection in Europe and force Germany to produce more waste.

"It is not supposed to be the EU's job to standardise the environmental tempo in all member states at any price or even to reverse it," he said.

Germany already recycles 66 per cent of its paper, 55 per cent of glass, 48 per cent of tin plate, and 20 per cent of plastics, and has an overall recycling target of 60 per cent by mid-1995. It says Europe as a whole already recycles more than 25 per cent of its packaging material – if figures for glass, recycling of which is well established, are included – and so the new directive may be a harmonising measure, but is not progressive.

But France and the UK, in particular, have complained that German waste exports are undermining their domestic waste management companies, which can no longer compete with cheaper waste paper coming across their borders.

"It was very clear to environment ministers in Brussels that the German model needed to be scaled back to meet the concern of member states angered by German waste exports," said Ms Nacy Russotto, director of the Association of Plastics Manufacturers in Europe.

Officials at the German environment ministry counter that Germany's waste export problems are only temporary as two recycling plants in eastern Germany are due to be functioning next year and will be able to recycle nearly all the waste paper now exported to neighbouring countries.

Additional reporting by Ariane Genillard in Bonn

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Japanese PM sees upturn despite gloom

By William Dawkins in Tokyo

Mr Morihiro Hosokawa, the Japanese prime minister, yesterday predicted a national economic upturn by next summer and brushed aside the latest rash of gloomy indicators.

"Although pessimism is prevalent over the prospects for the economy, I take a rather different view," said Mr Hosokawa.

He was speaking four days after unveiling a six-point economic plan for deregulation and tax reform, widely criticised by business leaders as lacking substance.

Japan's jobless rate has continued to rise, edging up last month to 2.8 per cent, a six-year high, and a tenth of a point more than in October. The number of people looking for a job continued to rise, by 18 per cent annually, while job offers fell by about the same rate.

As a result, the number of jobs per 100 applicants declined to 65 last month, from 93 at the turn of the year. Job losses are worst among women – where employment fell by 0.5 per cent over 12 months – farmers and manufacturing workers.

The weak job market has been a continued drag on consumer spending, as shown by a 6.9 per cent decline in sales by large retailers in the year to November. The Tokyo consumer price index rose by a mere 1.3 per cent over that period, as clothing and furniture stores offered big discounts and companies cut entertainment spending.

However, the prospects for an increase in industrial employment look remote, as shown by a 3.6 per cent year-on-year fall in industrial output last month, marking a record 26 months of decline.

Inventories rose by 0.9 per cent from the previous month, suggesting that companies still need to curb production in line with weak demand.

Orders received by Japan's 50 largest construction groups fell by 16.1 per cent last month, from a year earlier, a slowdown compared with the 24.3 per cent drop recorded in October. This was despite an 8.7 per cent rise in housing starts, one of the few bright spots.

Japan's gross domestic product (total output of goods and services) grew a revised real 0.4 per cent in 1992-93, after a 3.6 per cent gain the previous year, said the Economic Planning Agency last week.

Gross national product (GDP minus net income from overseas production) grew by a real 0.7 per cent in fiscal 1992-93, ended last March, after a 3.6 per cent gain in 1990-91.

In nominal terms, GDP rose 2.1 per cent in 1992-93 after a 5.4 per cent rise in 1991-92, and GNP rose 2.4 per cent.

● Muramoto Construction, subject of Japan's largest post-war financial collapse, has obtained court approval to restructure. The group filed for protection from its creditors early last month, with debts of up to Y590bn ($5.5bn), after banks withdrew support. Muramoto's fate, caused by investing in over-valued golf courses in the late 1980s, has led to the collapse of seven suppliers.

Japan's current account surplus shrank by 20.6 per cent in the 12 months to November, the first fall in six months. A finance ministry official said the figures showed that export volumes were levelling off or declining, while import volumes were steadily growing.

The fall, to $8.21bn (£5.47bn), was larger than most economists had expected from the 5.4 per cent fall in the trade surplus, announced this month. This was because services, not included in the trade account, swung unexpectedly from a surplus of $1.1bn in November 1992 to a deficit of $202m last month.

A fall in the yen's value against the dollar also played a part. In yen terms, the current account surplus declined more steeply, to Y885.1bn (£5.32bn), down 30.9 per cent from November last year.

Traders on the Seoul stock exchange celebrate the end of their dealing year yesterday Reuter

German bidder kept in Seoul rail contract race

By John Ridding in Paris and Judy Dempsey in Berlin

South Korea yesterday said that it was extending negotiations for its $2.4bn (£1.6bn) high-speed railway project into next year, and that it had asked a German consortium, which had appeared to have lost the battle for the contract, to maintain its offer.

The statement seemed to be aimed at putting pressure on GEC-Alsthom, the UK-French transport and engineering group, which is negotiating the high-speed rail contract with the South Korean authorities.

GEC-Alsthom, which defeated a consortium headed by Siemens to win the right to negotiate the contract in August, had expected to conclude the deal by the end of this year.

Industry observers said that several sticking points remained in the negotiations. These included the terms of technology transfer from the UK-French group to its Korean partners, such as Hyundai Precision Industries and Hanjin Heavy Industries.

GEC-Alsthom, which builds the French *train à grande vitesse* (high-speed train), played down the implications of the South Korean decision. "We remain the priority bidder," the company said, adding that an extension of negotiations was normal in such an important contract.

"The Korean authorities are trying, perhaps, to increase the pressure on us. That is logical in the course of negotiations," the UK-French group said.

The extension of negotiations and the request to maintain its bid will, however, encourage Siemens and its partners in the German consortium. "Of course we are still interested," said an official from AEG, the engineering group which is part of the German consortium.

The South Korean contract to build a high-speed line from Seoul to the southern port of Pusan is regarded by the rival groups as a key strategic project, which would leave the winner strongly placed in the international market for high-speed trains.

The importance of the contract has prompted fierce competition between GEC-Alsthom and Siemens.

The UK-French group was forced to cut its offer price by more than 30 per cent in order to win the right to negotiate the contract.

Japan company wins Malaysian minerals appeal

By Kieran Cooke in Kuala Lumpur

A Japanese-controlled chemical company operating in Malaysia has won its appeal against a court judgment which had found it guilty of emitting radioactive waste.

The Asian Rare Earth company (ARE), 35 per cent owned by the Mitsubishi Kasei group, Japan's largest chemical company, had been producing, at its factory near the town of Ipoh in northern Malaysia, minerals used mostly in the manufacture of electronics components.

In July last year, the Ipoh High Court accepted evidence of a growing number of cases of leukaemia, infant deaths and congenital disease in the vicinity of the factory.

But the Malaysian Supreme Court said the Ipoh trial judge had seriously misdirected himself in assessing the case put before him. "Our view is that the judged had erred in law, in his finding, with regard to factual and scientific evidence" said the judgment by the Supreme Court. The court also ordered damages to be assessed in favour of ARE.

A group of local residents who brought the original action against ARE said it was very disappointed with the new verdict. About 3,000 residents had come to Kuala Lumpur to await the judgment.

An earlier Supreme Court judgment had allowed ARE to continue its operations pending the appeal.

The ARE case has aroused interest among environmental groups, both in Malaysia and Japan, with Japan's multinational companies accused of exporting dirty industries to countries with less stringent environmental rules.

Court takes firm line on extorted pay-offs

By Robert Thomson in Tokyo

A Japanese court has signalled its disapproval of deals by companies to pay off racketeers and other extortionists who threaten to disrupt annual shareholders' meetings.

The Tokyo District Court on Monday meted out suspended sentences of between five and six months variously to four former officials of Kirin Brewery who were found to have given Y46m ($415,000) to *sokaiya* (extortionists) this year.

The company denied any links with the pay-offs, but the chairman and two other senior officials stepped down in July to take responsibility for the scandal. They have remained with the company as advisers, however.

Many such extortionists claim gang links and commonly take a small stake in leading companies. They then threaten to ask embarrassing questions at the annual meeting, unless the company pays them to stay away.

In the past, company executives have lost face at the meetings when dissatisfied exortionists have asked probing questions, including points about scandalous information concerning them or about the conduct of the company.

Some meetings have been stretched to as long as 13 hours as executives faced query after query.

To limit the impact of the *sokaiya*, most Japanese companies hold their shareholders' meeting on the same day but some companies are still targeted and Kirin seems to have been a victim this year.

Last year, Mr Masatoshi Ito, president of Ito-Yokado, the retail group, resigned after the arrest of executives from his company who were alleged to have paid Y27m to gangsters in violation of the Commercial Code, which was toughened in 1982 to prohibit pay-offs.

Companies have also been known to hire racketeers to monopolise the floor at shareholders' meetings, so as to prevent investors asking legitimate questions.

NEWS: INTERNATIONAL

Singh threatens to quit

Stefan Wagstyl on the Indian market scandal report that has upset the finance minister

India has been thrown into political and economic uncertainty by the threatened resignation of Mr Manmohan Singh, the finance minister and principal architect of the country's wide-ranging economic reforms.

Mr P V Narasimha Rao, the prime minister, is under intense pressure to reject the resignation of Mr Singh, who offered to quit late last week after the publication of a parliamentary report into last year's Rs40bn (£856m) Bombay securities market scandal. MPs who wrote the report criticised failings throughout the financial system and held Mr Singh responsible for the shortcomings of officials entrusted with financial supervision.

The ruling Congress (I) party, leading Indian business figures and newspapers and foreign companies dealing with India are all urging the prime minister to keep Mr Singh in the government. Supporters of economic reform said his departure would harm India's international reputation. Mr Bansi Dhar, president of the Federation of Indian Chambers of Commerce and Industry, an employers' body, said: "The resignation of Mr Singh would be a jolt to the process of liberalisation."

Mr Singh's resignation move was made public late on Christmas Eve, by which time the Bombay Stock Exchange, the country's largest, was already closed. It does not reopen until January 3. However, prices have fallen sharply in out-of-hours deals.

The balance of opinion in Delhi last night was that Mr Singh's resignation would be rejected. But much would depend on a parliamentary debate on the scandal, due today and tomorrow. If his record comes under further attack he may quit, even if the prime minister wants him to stay. Mr Singh may also want to hear a whole-hearted statement of support from the prime minister, who has yet to make any public comment on the resignation.

Mr Narasimha Rao's position is complicated by the fact that two other ministers are also criticised in the report, both more seriously than Mr Singh. But neither of these two men – Mr B Shankaranand, health minister, and Mr Rameshwar Thakur, rural development minister – wants to quit. Persuading Mr Shankaranand and Mr Thakur to go, while urging Mr Singh to stay, will test even the wily Mr Narasimha Rao's political skills.

For 61-year-old Mr Singh such horse-trading could be too much to bear. An academic economist and career bureaucrat, he dislikes dealing with the dirt in Indian politics. Loyal as he is to the prime minister, he is even more loyal to his own sense of honour. He feels deeply hurt by the scandal committee's criticisms; probably nothing less than their withdrawal would fully satisfy him.

He has said little about his resignation offer except that reform would continue, even without him. His officials are busy preparing the 1993-1994 budget, due in mid-February, which is expected to contain a new tranche of reforms, including measures to further open financial markets to competition.

While a new minister could easily pick up the reins of budget-making in time for February, Mr Singh's departure would damage morale in the ministry because he is so closely identified with the liberalisation programme. Finance Ministry officials have had to fight frequent battles with other ministries to advance reform, and have relied on Mr Singh's support.

But what really matters – more than the person of the finance minister – is the prime minister's and the ruling party's commitment to reform.

In his first 18 months in office, Mr Singh achieved much because the mid-1991 economic crisis, when India sought emergency loans from the International Monetary Fund, was so serious that even the most conservative Congress MPs accepted reform was necessary. Import duties were cut, internal controls were partly liberalised and foreign companies made welcome for the first time in over 20 years.

Mr Singh and his fellow reformers gradually moved closer to reforming the core of India's economic weakness: its subsidy-pampered farmers, inefficient bureaucracy and overmanned state-owned industry. But they have been forced to hold back from really overhauling these vested interests, because they include some of the Congress party's staunchest supporters.

For the past year, the prime minister has been unable to tackle these thorny issues because of the political turmoil caused by the storming of the Ayodhya mosque and the unrest which followed. But, although Mr Narasimha Rao says he fully supports more reform, he has yet to demonstrate a willingness to press ahead with politically difficult changes. Losing Mr Singh might erode his will further.

Mideast talks continue in Cairo

By Julian Ozanne in Jerusalem

Israeli and Palestinian peace negotiators continued difficult talks in Cairo last night searching for a compromise formula to unblock the peace process and begin implementation of Palestinian self-rule in Gaza and Jericho.

Although the two sides appear to be firmly deadlocked on the main issue of who should control border crossings, Mr Yossi Sarid, Israel's environment minister, said the Israeli team would stay in Cairo for "as long as it takes". Mr Sarid, however, refused to say whether the two negotiating teams had made any progress in the talks, which began on Monday night.

Apart from the border issue, Palestinians and Israelis are also divided on the size of the Jericho area to be handed over to Palestinians and security for Jewish settlers who will continue to live in Gaza-Jericho once the Israeli military withdraws.

Under the peace accord Israel was due to have started redeploying its troops out of Gaza-Jericho more than two weeks ago, but the deadlock in negotiations has delayed implementation of the agreement.

Israeli foreign minister Shimon Peres (left) tells a Cairo news conference yesterday he has "unlimited hopes" of agreement with the PLO in their current talks in Egypt. Associated Press

Meanwhile Mr Yitzhak Rabin, Israeli prime minister, yesterday accused Syria of not doing enough to prevent attacks by Arab guerrillas on Israeli targets in Lebanon. Mr Rabin, who toured Israel's self-declared security zone in Lebanon, made the accusation as Israeli aircraft bombed positions in south Lebanon held by the pro-Iranian fundamentalist Hizbollah movement. Mr Rabin said Israel was prepared to pull out of south Lebanon if the Lebanese army could prove that it could disarm Hizbollah and prevent attacks on Israel and their Lebanese allies for at least six months.

Despite Mr Rabin's accusation, there are signs of a thaw in relations between Damascus and Jerusalem ahead of the summit between President Bill Clinton and President Hafez al-Assad next month. Israeli newspapers yesterday said US officials had confirmed that Damascus last week issued the first of 850 exit visas to Syrian Jews agreed last month as a confidence-building measure.

NEWS IN BRIEF

Seoul cool on North Korea bomb reports

South Korean President Kim Young-sam yesterday played down reports that North Korea had probably developed nuclear bombs, Reuter reports from Seoul.

"North Korea has strong intentions to develop nuclear weapons. But [I] cannot say North Korea possesses any nuclear arms at the moment," Yonhap news agency quoted Mr Kim as saying. "We have accurate information about that."

On Sunday, the New York Times said the US Central Intelligence Agency had advised President Bill Clinton that North Korea had probably built one or two nuclear bombs. The newspaper, quoting unnamed US officials, said the finding was disputed by the State Department but supported by all intelligence agencies.

In Tokyo yesterday, the foreign minister, Mr Tsutomu Hata, said Japan would not impose economic sanctions against North Korea over its suspected nuclear weapons programme. He did not specify whether he was ruling out unilateral sanctions or whether Japan would refuse to join any UN-ordered embargo against North Korea.

No Taipei talks for BAe before June

Taiwan Aerospace will not resume talks with British Aerospace on their stalled $775m (£520m) airliner joint venture before June, the economic affairs minister, Mr Chiang Pin-kung, was yesterday quoted as saying, Reuter reports from Taipei.

Any reopening of talks would depend on a review of Taiwan's plans for its fledgling aerospace industry, expected by June 30, national newspapers reported Mr Chiang as telling parliament on Monday.

BAe and Taiwan Aerospace, 29 per cent owned by the Taiwan government, signed a deal in January 1993 to form a 50-50 venture to produce the RJ family of 75- to 115-seat regional passenger jets for assembly in Britain and Taiwan. But talks stalled over financing and technology transfer to Taiwan.

Chilean finance minister named

The task of maintaining Chile's impressive economic record will go to Mr Eduardo Aninat following his appointment as finance minister in the cabinet of president-elect Eduardo Frei, due to take over next March, writes David Pilling from Santiago.

Mr Aninat, 45, who will replace the much-praised Mr Alejandro Foxley, was Chile's chief debt negotiator until March 1991 when he returned to his private economic consultancy.

Other important cabinet appointments include Mr Gérman Correa, a socialist, to the politically sensitive Interior Ministry.

Extremists admit Cairo bus attack

An extremist Islamic group, Gama'a al-Islamiyah, yesterday claimed responsibility for an attack on a tourist bus in Cairo, which wounded 16 people, eight of them Austrians, writes Shahira Idriss from Cairo. Two of the Austrians were critically injured.

Attackers on Monday hurled two bombs into the bus, which was on a tour of old Cairo, and opened fire on the passengers, before escaping.

Gama'a al Islamiyah is one of the main extremist groups aiming to topple the Egyptian government and replace it with an Islamic state.

Milosevic fails to win overall majority

The Socialists of Serbian President Slobodan Milosevic failed to win an overall majority despite a repeat vote in 45 constituencies in Serbia, party officials said yesterday, Laura Silber writes from Belgrade.

The party said the new round – held because of allegations of irregularities at the December 19 poll – had not substantially altered the outcome, according to unofficial results. The first poll saw the Socialists returned to parliament as the biggest party, with 123 of the 250 seats.

First meeting for Saudi council

By Roger Matthews, Middle East Editor

Saudi Arabia is expected to take its first step towards more representative government today when King Fahd bin Abdulaziz inaugurates the first session of the 60-member majlis al-shura (consultative council).

The creation of the council, first discussed more than 30 years ago, reflects the huge changes which have taken place in Saudi Arabia as a result of its oil wealth and its central role in maintaining stability in the Gulf.

The council will initially play an advisory role, but could develop into the main source of new legislation. Its 60 members, who were appointed in September, have been drawn mainly from the professions and more than half have advanced degrees from western universities.

They will debate issues referred to them by the council of ministers, headed by King Fahd, but their recommendations will not be binding. Debates will be held in secret and members will not be allowed to remove documents from the council chamber in Riyadh.

The creation of the council has come at a testing time for the government, with the fall in oil prices threatening plans both to bring the budget deficit under control and to reduce the worsening current account deficit.

NEWS: UK

Tax increase strategy defended

By Peter Norman, Economics Editor

The UK government yesterday claimed that its Budget tax increases would help to sustain Britain's economic recovery by damping consumer demand and preventing an inflationary boom.

Speaking as shoppers flocked to post-Christmas sales, Mr Stephen Dorrell, financial secretary to the Treasury, said planned tax increases – which will be equivalent to 7 pence on income tax in three years' time – will slow growth. But he told the BBC Radio 4 Today programme there was "no reason to believe" the changes coming "this year or in 1994 and 1995 will have any serious adverse affect on the recovery".

"What we have seen, quarter by quarter, is a recovery that has taken root and been sustained – and the likelihood is that this will continue," Mr Dorrell said.

Without this year's two Budgets, people would have lacked confidence that the UK economy had a sound financial base, he said. "Because difficult decisions have been taken, we can have reasonable confidence that the recovery will continue on the path set now for over 18 months."

Mr Dorrell's view that the Budget will lead to steady growth is given some support today by the latest bi-monthly survey of business opinion from the Institute of Directors and Halifax Building Society's end-of-year review of the housing market.

Although the IoD reported only a slight increase in overall business confidence in the two months between October and December, it found that the November 30 Budget appears to have boosted optimism among directors about prospects for their own businesses in 1994 and may encourage them to take on more staff.

While retailers yesterday reported their best winter sales since the late 1980s, Mr Dorrell made clear that the government was not interested in stoking a consumer-led boom.

Mr Dorrell pointed out that the past-year's growth of about 2 per cent had taken place against depressed conditions in Europe and Japan. The government must take care not to let the UK economy run ahead too fast.

However, his upbeat view of the Budget was challenged by Mr Andrew Smith, a Labour Treasury spokesman. "When, come April, people have their pay slip in one hand and a fuel bill in the other, they will see for themselves just how hard the government is hitting them on taxation," he said. Mr Smith said the typical UK family faced extra taxes of £10 a week in 1994.

Effort to amend rail sell-off rules for Scotland

By Roland Rudd

The Scottish Office is privately lobbying the UK Department of Transport to amend its rail privatisation proposals for Scotland.

Potential bidders for ScotRail have warned the government that rail privatisation will succeed in Scotland only if the franchise holder is given control over the track.

Under current rail privatisation plans, franchises will be offered to run railways while track and signalling will be operated by Railtrack, a separate company.

The Scottish Office has told potential bidders for ScotRail that it is sympathetic to their demands for vertical integration, which combines services with ownership of track and signalling.

A spokesman for the Scottish Office yesterday said rail privatisation in Scotland was the responsibility for the Department of Transport. He pointed out, however, that Mr Roger Freeman, transport minister, said bids in favour of vertical integration may be considered for ScotRail.

If a prospective operator submitted a bid which included control over infrastructure, it would be left to the government-appointed franchising director, Mr Roger Salmon, to decide whether to accept it.

Under the present guidelines laid down by the Department of Transport, Mr Salmon would be highly unlikely to do so. Any bid aiming to control the track in Scotland would also be bitterly resisted by Railtrack.

The Treasury strongly backs the Department of Transport's decision not to relax its rail privatisation plans in Scotland. According to a Whitehall official, both departments are "fed up with the Scottish Office continually pleading a special case north of the border".

Nonetheless, pressure is growing in Scotland for ways to be found to bypass the Transport Department's opposition.

ScotRail is one of the first seven franchises to be offered. The government hopes to see ScotRail being run by the private sector by early 1995, after running as a stand-alone concern within BR from next April.

Council to fight action over swaps

by John Ridding in Paris and Vanessa Houlder in London

The London Borough of Hammersmith and Fulham said yesterday it would "vigorously contest" a legal action brought against it by Crédit Commercial de France, one of France's biggest banks, which is trying to recover losses it suffered from interest rate swap agreements.

CCF said that the London council had made "fraudulent misrepresentations" about its power to undertake swap transactions in which two parties agree to exchange fixed and floating-rate interest payments.

Councils generally swapped their fixed-rate liabilities for floating-rate ones – effectively gambling on interest rates staying low – and were left facing substantial losses when interest rates rose at the end of the 1980s.

Hammersmith & Fulham – one of the most active players in the swaps market – denied misrepresentation. It said the legal action appeared to be "an attempt to enforce swap agreements which the House of Lords declared to be beyond our legal powers."

The French bank said the decision to sue followed a ruling this month by the Court of Appeal, which upheld a High Court order that the London borough of Islington must pay £1.14m to Westdeutsche Landesbank, the German bank.

CCF declined to specify the amount it was claiming, but said it sought "to recover both sums it paid to Hammersmith & Fulham and losses it incurred on matching transactions."

It said the 1991 ruling by the House of Lords that local authorities did not have the power to enter into interest rate swaps, caused "enormous losses to the banking community as a whole."

The Lords' decision left 80 banks facing losses of £560m, some of which they have sought to recover through restitution – reclaiming interest paid to councils under the invalid swap agreements.

Britain in brief

Spending on rail network 'at low level'

Britain is investing less in its rail network than nearly all other West European countries, according to a survey of 12 countries by Rail Business Report, an annual review.

Germany will spend Ecu62bn and France Ecu 20bn of the total Ecu120bn (£91bn) investment planned by European railways over the next 10 years although spending per mile will be greatest in the Netherlands and Switzerland. Only Finland will spend less per mile than Britain.

British Rail will spend Ecu4.4bn (£3.3bn) or Ecu166,000 per mile when projects such as the £3bn Channel tunnel link, the £2.5bn London Crossrail scheme and the £600m west coast line upgrading have been excluded. There are no guarantees that the private sector will be willing to finance these programmes, the report said.

Even if these projects were included Britain would still rank only seventh in the European league table.

Concern over deportations

Mr Tony Blair, the shadow home secretary, is to question Home Office ministers early in the New Year about the deportation of 28 Jamaicans from Britain on Christmas Day.

Labour said yesterday Mr Blair was concerned about the Home Office's reasons for deporting 28 Caribbean nationals from London's Gatwick airport at the weekend.

Labour MPs were particularly concerned over how the Jamaicans were treated in Home Office custody, and the reasons why immigration officials picked out the charter plane on which they had been travelling.

Jamaican foreign ministry officials said the government would consider carefully the reports of those refused entry, and "take whatever diplomatic and political steps" it thought appropriate.

Private sector pay rises slow

Pay increases in Britain's private sector are continuing to slow, Incomes Data Services, an independent pay monitoring body, says today. But it adds that they are still ahead of those in the public sector, where the government's 1.5 per cent ceiling has held firm.

IDS says in research published today that many private sector wage deals recorded in the fourth quarter have been worth less than 2.0 per cent.

Unions claim legal awards

Unions affiliated to the TUC may have won over £300m in legal awards for members last year, the TUC says in its annual survey of union legal services today – a higher figure than in 1991, despite a decline in union membership.

Most of the 123,000 legal cases taken up by unions in 1992 concerned personal injury at work. Other issues included employment protection, criminal injury, road traffic accidents, copyright and libel.

US figures back Ulster efforts

A number of prominent US businessmen, lawyers and community figures, including several well-known Irish-Americans, have expressed support for peace initiatives in Northern Ireland.

In a full-page advertisement in Monday's New York Times, more than a hundred signatories commended UK and Irish leaders, including the leaders of Sinn Féin, for attempts to seek a peaceful settlement.

Among those who signed the advertisement were Mr Daniel Tully, chairman of Merrill Lynch, Wall Street's largest securities firm, Mr Donald Trump, the New York property developer and Mr Hugh Carey, the former governor of New York State.

Row over coal pits sell-off

British Coal yesterday rejected charges of conflict of interest levelled against managers planning to stage buy-outs of the pits they have been preparing for privatisation.

Mr Kim Howells, Labour MP for Pontypridd, accused managers of enjoying an unfair advantage because of their involvement in the run-up to privatisation.

His comments came after Mr Neil Clarke, British Coal chairman, said he would not be surprised if some managers were interested in buy-outs. "They know a great deal about the business, its risks and its potential."

British Coal said the managers "have been steering operations to make sure supply matches demand and to make it competitive in a very harsh marketplace."

Severe weather disrupts travel

Britain was swept by a severe band of snow yesterday, causing difficulties for Christmas period travellers.

Snow up to six inches deep blanketed central Scotland while ice and snow left the roads treacherous as far south as Kent.

Leeds-Bradford airport was closed, with flights diverted to Manchester airport. Incoming and outgoing passengers were transferred by coach.

Flights to Birmingham airport were halted for several hours while snow was cleared from the runway and outgoing flights were delayed. Bus and rail services were also hit.

Despite bad weather, however, Glasgow and Edinburgh airports operated normally.

Packed snow reduced stretches of the M42 around Birmingham to one lane while police described roads in West Yorkshire as "atrocious".

Sporting events were also hit hard by the severe weather, with many race meetings disrupted. Regardless of snow, trainer Mark Johnson exercised his horses on the moors near York yesterday

Other parts of the country were similarly affected.

The RAC said it had received 2,600 emergency calls in one hour, while the AA reported problems throughout Leicestershire, Nottinghamshire, Cambridgeshire and and as far to the south as Kent. Later in the day, heavy rain added to difficulties, but helped to turn the snow to slush.

Meanwhile, an air and sea search managed to locate a former pleasure boat with two crew aboard, which had lost radio contact during bad weather in Cardigan Bay off the Welsh coast.

Helicopters and lifeboats had spent the night searching for the 55ft St Keyne, which was on its way from Tenby, Dyfed, to Fleetwood in Lancashire.

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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ MONDAY DECEMBER 27

Black & Decker $0.1
Town Centre Securities 10½% 1st Mtg. Deb. 2021 £5.25

■ TODAY

Abbey Natl. Treas. Servs. 8¼% Gtd. Nts. '95 C$82.5
All Nippon Air.s 4.4% Nts. 2000 Y111222
Do. 4½% Nts. 2001 Y113750
Banco Intl. SA 8¼% Nts. 1995 $4062.5
Bradford & Bingley Bldg. Soc. Sub. FRN'S '01 £1776.37
Britannia Bldg. Soc. Sub. FRN's '08 £1790.83
British Aero. 11¾% Bds. '08 £593.75
Cardiff Auto. Receivables Sec. (UK) FRN's '95 £155.82
Chelsea Bldg. Soc. Sub. FRN's '99 £33685.79
Commonwealth Bk Australia 10 Yr. Gtd. Exp. Cap. FRN's $180.46
Ebara 4½% Bds. 2000 Y118750
Elf Enterprise Fin. 8¾% Gtd. Exch. Bds. '06 £218.75
Fuji Bk. Intl. Fin. NV Und. Sub. Gtd. Var Rate Nts. Y85573
Gen. Motors Acceptance Canada FRN's '96 C$321.68
Hillsdown Hldgs. 4½% Cnv. Bds. '02 £45
Republic of Italy FRN's '98 $43.45
JETS Intl. Sers. F FRN's '97 Y799653
Kohap (HK) Gtd. FRN's '96 $540.89
Marubeni Intl. Fin. 6% Bds. '94 Y6000000
Natl. & Provincial Bldg. Soc. FRN's '96 £76.35
Nationwide Bldg. Soc. FRN's '98 £75.79
Residential Prop. No. 3 A1 Mtg. Bkd. FRN's 2025 £1552.11
Do. A2 Mtg. Bkd. FRN's '25 £1550.74
Do. B Mtg. Bkd. FRN's '25 £1807.53
River & Merc. Grd. Cap. & Inc. Tst. '99 1.4p
Royal Bk Can. Canadian Fd. Ptg. Red. Prf. C$0.025
SABRE Intl. Sers. P Var. Rate Sec. Nts. '98 Y74594
Scandinavian Fin. BV Fltg. Rate Serl. Nts. '93 $53.38
Smith & Nephew 5½% Cnv. Bds. 2000 $275
Stratagem 3.25p
Sumitomo Realty & Dev. FRN's '97 Y2218384

■ TOMORROW

Chesterfield Props. 4p
Enterprise Oil 10⅝% Nts. '96 £531.25
Guinness Fin. Australia 10% Gtd. Nts. '96 A$100
Jersey Phoenix Tst. 1.25p
Ladbroke Group Fin. (Jersey) 9% Cnv. Cap. Bds. '05 £45
Lloyds Eurofinance NV 11½% Gtd. Bds. '94 $115
Lon. & Strathclyde Tst. 4.25p
Morgan Grenfell Equity Inc. Tst. 2.5p
Northchart Invs. Z$0.04
Seagram $0.14
Slough Ests. 11⅝% Bds. '12 £1162.5
SwedBank (Sparbanken) Sub. FRN's '02 $238.92
Trusk Funding FRN's '97 £818.07
Unilever 6.08p
Do. NV FL1.48
UK FRN's 1996 $74.25
Wolwich Bldg. Soc. FRN's '97 £155.82

■ FRIDAY DECEMBER 31

Alexander & Alexander $0.25
Do. Class C 16.88p
Alexanders Hldgs. 9½% Cm. Pf. 3.325p
Allied Lon. Props. 10¾% 1st Mtg. Db. '25 £5.375
Allied-Lyons 11¾% Db. '09 £5.875
Allnatt Lon. Props. 6¾% 1st Mtg. Db. 88/93 £3.375
Do. 7½% 1st Mtg. Db. 90/95 £3.75
AMEC 1.5p
Anglo Eastern Plants. 12½% Un. Ln. 95/99 £6.25
Anglo Fin. No.1 Snr. FRN '01 £1893.12
Antofagasta (Chile Bolivia) Rail. 4% Perp. Db. £2.00
Antofagasta 5% Cm. Pf. 1.75p
Asda Prop. 5⅛% Cv. Cm. Rd. Pf. '12 2.5625p
Asprey 6½% Cm. Pf. 2.275p
Do. 9¾% Cm. Pf. 4.875p
Assoc. Leisure 7½% Un. Ln. 89/94 £3.75
Atreus 0.284p
Avdel 10½% Un. Ln. 96/98 £5.25
Avon Rubber 4.9% Cm. Pf. 2.45p
Bampton 8¼% 1st Mtg. Db. 88/93 £4.125
Do. 8¼% Un. Ln. 02/07 £4.125
Bardon 3.85% Cm. Pf. 1.925p
Do. Cv. Rd. Pf. 3.625p
Do. Cm. Rd. Pf. 2005 5.625p
Baring Tribune Inv 9⅛% Db '12 £4.5625
Barings 5¾% 1st Pf. 2.875p
Do. 7¼% 1st Pf. 3.625p
Do. 8% 1st Pf. 4p
Do. 8% 2nd Pf. 4p
Bluebird Toys 12% Cv. Ln.'05 £6.00
Blue Circle 7⅝% Cv. Cm. Pf. 3.8125p
BOC 4.55% Cm. Pf. 2.275p
Do. 2.8% Cm. 2nd Pf. 1.4p
Do. 3.5% Cm. 2nd Pf. 1.75p
Boddington 9½% Un. Ln. 00/05 £4.75
Bodycote 2p
Bowthorpe 7% Un. Ln. 90/95 £3.50
Braime (TF & JH) 5% Cm. Pf. 2.5p
Brake Bros 2p
Bridon 8% Db. 88/93 £4.00
Do. 10¼% Db. 91/96 £5.125
Do. 6⅝% Un. Ln. 02/07 £3.3125
Do. 7¾% Un. Ln. 02/07 £3.875
Bristol Water 3½% Perp. Db. £1.75
Do. 4% Perp. Db. £2.00
Do. 4¼% Perp. Db. £2.125
Brit. Assurance 5% Tax Free Cm. Pf. 2.5p
Brit. Fittings 5.5% Cv. Pf. 2.75p
Brit. Guiana Demerara Rlwy. 4% Perp. £2.00
Do. Annuities 50p
Brit. Polythene Inds. 7½% Cm. Cv. Pf. 3.75p
Brixton Est. 5% Cm. Pf. 0.875p
Do. 9.5% 1st Mtg. Db. 2026 £4.75
Do. 11¼% 1st Mtg. Db. 2023 £5.625
Do. 10.75% 1st Mtg. Db. 2025 £5.375
Do. 9% 1st Mtg. Db. 92/97 £ 4.50
Broadstoner 6% Cm. Pf. 2.1p
Brockhampton 3p
Do. A Non-Vtg. 3p
Brunner Inv. 5% Cm. Pf. £1.75
BSG Int. 0.7p
Do. 7% 1st Mtg. Db. 93/98 £3.50
Do. 8¾% 1st Mtg. Db. 93/98 £4.375
Do. 12½% Un. Ln. 1993/98 £6.25
Burford 10⅝% 1st Mtg. Db. '14 £5.3125
Cap.& Counties 11¼% 1st Mtg. Db. '21 £5.625
Do. 9⅞% 1st Mtg. Db. '27 £4.9375
Casket 10.25% Cm. Pf. 5.125p
Central ITV 6¼% Cv. Sb. Bd. '08 £48.04
Charlwood Alic. 8¾% 1st Mtg. Db. 95/98 £4.375
Charnos 7% Cm. Pf. 2.45p
Chester Water. 11% Rd. Db. 98/2000 £5.6875
Chillington 9% Cv. Ln. '99 4.75p
City Site Ests. 7% Cv. Ln. 05/06 £3.50
Clydeport 4% Irrd. £2.00
Do. 3% Irrd. £1.50
Coats Patons 4½% Un. Ln. 02/07 £2.25
Do. 6¾% Un. Ln. 02/07 £3.375
Collateralised Mtg. Sec. (No. 8) Mtg. Bkd. FRN '28 £141.52
Do. (No. 11) Class A Mtg. Bkd. FRN '28 £137.30
Comm. Union 8¾% Cm. Irrd. Pf. 4.375p
Contl. Bank $0.15
Cookson 7% Cm. Pf. 2.45p
Copenhagen Handelsbank Sb. FRN 2000 $268.33
Croda Int. 5.9% Pf. 2.95p
Do. 6.6% 3.3p
Dead Sea Works 5% Db. '02 NIS0.25
Debenhams 7¼% 2nd Db. 91/96 £3.625
Delta 4.2% Cm. 1st Pf. 2.1p
Do. 3.15% Cm. 2nd Pf. 1.575p
Dencora 6.25% Cv Pf 3.125p
Denmark (Kingdom of) 13% Ln. '05 £6.50
Derby Tst. 7½% Db 99/2003 £3.75
Dinkie Heel 0.5p
Diploma 10½% Un. Ln. 90/95 £5.25
Eastbourne Water 10½% Rd. Db. 95/97 £5.25
Do. 11.2% Rd. Db. 05/09 £5.60
Do. 12½% Rd. Db. 2004 £6.25
East Worcs. Water 8% Rd. Db. 91/93 £4.00
Ecclesiastical Ins. 10% Cm. 2nd Rd. Pf. 5p
Edinburgh Inv. Tst. 11½% Db. '14 £5.75
EIS 3.3p
Do. 5% Cm. Pf. 1.75p
Electric & Gen. Inv. 10.1% Db '97/2002 £5.05
EMAP 5% Cm. Pf. 1.75p
Emess Cv. Rd. Pf. 3.125p
Empire Stores 9¼% Db. 94/99 £4.625
Englehard $0.11
English Nat. Inv. 9½% Db. 91/96 £4.75
Essex Water 9.625% Rd. Pf. '93 4.8125p
Estates & Agency 3.5% Cm. Rd. Pf. 1.75p
Do. 11.25% 1st Mtg. Db. 2020 £5.625
Estates & Gen. 11.25% 1st Mtg. '18 £5.625
Everards Brewery 5% Cm. Pf. 1.75p
Finlay (J) 4.2% Cm. 1st Pf. 2.1p
Do. 4.2% Cm. 2nd Pf. 2.1p
Do. 5% Cm. 2nd Pf. 2.5p
Fleming Amer. Inv. Tst. 5% Cm. Pf. £1.75
Do. 7% Cv. Un. Ln. '99 £3.50
Fleming Claverhouse Inv. Tst. 11% Db. '08 £5.50
Fleming Overseas Inv. Tst. 5% Cm. Pf. 1.75p
Folkestone & Dover Water 4% Perp. Db. £2.00
Do. 5% Perp. Db. £2.50
Do. 11½% Rd. Db. 2004 £5.75
For. & Col. Inv. Tst. 11.25% Db. '24 £5.625
Fortnum & Mason 14p
Do. 7% Cm Pf 2.45p
Forward 2p
Friendly Hotels 5% Cv Pf 2.5p
Do. 11.125% 1st Mtg. Db. '15 £5.5625
Frogmore Ests. 13.85% 1st Mtg. Db. 2000/03 £6.925
Fulcrum Inv. Tst. Inc. 1.4p
Gartmore Value Invs. 0.9525p
Gaskell 5% Cm. Pf. 1.75p
GATX $0.35
Geest 3.7p
Gen. Accident 7¾% Un. Ln. 92/97 £3.875
Gen. Cons. Inv. Tst. Inc. 3p
Do. Stepped. Pf. 1.866p
Glynwed Intl. 7¾% Cm. Pf. 2.7125p
Gracechurch Mtg. Fin. Mtg. Bkd. FRN '19 £1010.18
Grahams Rintoul Inv. Tst. Cm. Rd. Stepped. Cap. Pf. 6p
Great Universal Stores 5⅜% Rd. Un. Ln. £2.6875
Do. 6⅜% Rd. Un. Ln. £3.1875
Do. 8¼% Un. Ln. 93/98 £4.125
Greenacre Cv. Rd. Pf. 1.5354p
Gresham Tst. 6½% Gtd. Un. Ln. 88/93 £1.63835
Greyfriars Inv. Co. 0.7p
GR Hldgs 10.5% 2nd Cm. Pf. 5.25p
Guardian Media 4% Cm. Pf. 1.4p
Halifax Bldg. Soc. FRN '96 (Ser.A) £23.43
Hall Eng 5.55% Cm. Pf. 2.775p
Halstead (J) 5½% Cm Pf 1.925p
Hampson Inds. 8% Uns. Ln. 88/93 £4.00
Hartlepool Water 8% Rd. Db. 92/94 £4.00
Hawtin 4.55% Pf. 2.275p
Headlam 5.6% Pf. 2.8p
Helene 0.65p
Hepworth Cap. Fin. 11.25% Cv. Cap. Bds. '05 5.625p
Hewitt 10% Cm. Pf. 5p
Hickson Cap. 7% Cv. Cap. Bds. '04 3.5p
Hickson Intl. 8½% Un. Ln. 89/94 £4.25
Higgs & Hill 7% Cm. Pf. 2.45p
Hill Samuel Stg. Fixed Int. Fd. Ptg. Rd. Pf. 2.51p
Homer Fin. (No.1) A Mtg. Bkd. FRN '28 £145.74
Do. B Mtg. Bkd. FRN '28 £203.22
Hunting 4.2% Cm. Pf. 2.1p
IMI 5½% Un. Ln. 01/06 £2.75
Do. 7¾% Un. Ln. 88/93 £3.875
Intl. Inv. Tst. of Jersey 13% Rd. Pf. 6.5p
Jersey Elect 8% Gtd. 2000 £4.00
Jeyes 3.3p
Jones & Shipman 4.9% Cm. Pf. 0.6125p
Kayser Bondor 6% Cm Pf 2.1p
Kleinwort O'seas Inv. Tst. 4% Cm. Pf. £2.00
Ladbroke Hotels 10½% 1st Mtg. Db. 94/99 £5.25
Land Securities 6¾% Cv. Bds. '02 £67.50
Lee Valley Water 7½% Rd. Db. 91/93 £3.75
Do. 7¾% Rd. Db. 91/93 £3.875
London & Assoc Inv. Tst. 0.05p
Lon. Park Hotels 10½% 1st Mtg. Db. 2000/05 £5.25
Macallan-Glenlivet 6¼% Cv. Un. Ln. '05 £3.125
Management Centre 6% Cv. Un. Ln. '97 £3.00
Manganese Bronze 8¼% Cm. Pf. 2.8875p
Marley 11⅞% Db.'09 £5.9375
Marshalls 11⅜% Db. 92/2014 £5.6875
Marshalls Universal 7.5% Rd. Pf. 3.75p
Martin Marietta $0.225
Mercury Int. Inv. Tst. Ptg. Rd. Pf. Japan Fd. 5.19p
Do. North America Fd. 40.65p
Do. Pacific Fd. 73.03p
Merivale Moore 10½% 1st Mtg. Db. '20 £5.25
Mid-Kent Water 4% Perp Db £2.00
Do. 5% Perp. Db. £2.50
Do. 7½% Rd. Db. 91/93 £3.75
Do. 8% Rd. Db. 92/94 £4.00
Do. 12% Rd. Db. '93 £6.00
Midland Bk. 7½% Sb. Un. Ln. 83/93 £3.75
Do. 10¾% Sb. Un. Ln. 93/98 £5.375
Mid Southern Water 3½% Perp. Db. £1.75
Do. 5% Perp. Db. £2.50
Do. 7¼% Rd. Db. 91/93 £3.625
More O'Ferrall 10% Cm. 2nd Pf. 5p
Mowlem (John) 2p
Mucklow (A J) 7% Cm. Pf. 2.45p
Murray Intl. Tst. 4% Db. £2.00
Nat West Bk. 9% Sb. Un. Ln. '93 £4.50
Nationwide Bldg. Scty. FRN '96 (2nd) £23.43
Newey 5% Cm. Pf. 1.75p
News Intl. 7% Cm. 1st Pf. 2.45p
Do. 8% Cm. 2nd Pf. 2.8p
Newton Chambers 5% 1st Cm. Pf. 1.75p
NHL (1) Secs. Dfd. Int. Mtg. Bkd. FRN '28 £181.75
NHL (2) A1 Dfd. Int. Mtg. Bkd. FRN '30 £137.81
Do. A2 £180.53
North East Water 3.75% Rd. Db. '12 £1.875
Do. 8% Rd. Db. 91/93 £4.00
Do. 8.25% Rd. Db. 92/94 £4.125
Do. 10.5% Rd. Db. 92/94 £5.25
Do. 12% Rd. Db. 2005 £6.00
Do. 12.3% Rd. Db. 95/97 £6.15
Northern Telecom $0.09
North of Eng. Bldg. Scty. 12⅝% Perm. Int. Brg. £63.125
North Surrey Water 5% Db. £2.50
Do. 7½% Rd. Db. 91/93 £3.75
Do. 9½% Rd. Db. 94/96 £4.75
Old Court Currency Fd. Ptg. Rd. Pf. (A$ Fd.) A$ 0.261
Do. BFr. Fd. BFr30.90
Do. C$ Fd. C$0.345
Do. DFl Fd. Fl1.416
Do. DKr Fd. Dkr6.78
Do. DM Fd. DM1.245
Do. Ecu Fd. Ecu0.531
Do. FFr Fd. FFr3.47
Do. HK$ Fd. HK$0.91
Do. Lire Fd. L1112.0
Do. NZ$ Fd. NZ$ 0.521
Do. S$ Fd. S$0.183
Do. Pta Fd. Pta106.89
Do. £Fd. 23.3p
Do. SFr Fd. SFr0.534
Do. SKr Fd. SKr3.70
Do. US$ Fd. $0.142
Do. Yen Fd. Y29.50
Pearson 8.525% Un. Ln. 88/93 £4.2625
Do. 9.3% Un. Ln. 96/2001 £4.65
Do. 13.625% Un. Ln. '07 £6.8125
Pex 3.5% Cm. Pf. 1.75p
Phillips Fin. 5¾% Stg/Guilder Cv. Gtd. Ln. 81/94 £2.875
Pittards 9.5% Cm. Pf. 4.75p
Plantsbrook 6.75p Cv. Pf. 91/2001 3.375p
Portals 5.25p
Porter Chadburn 8% Cv. Rd. Pf. '93 4p
Portsmouth & Sunderland News. 3.12p
Quarto 8.75p Pf. 4.375p
Quicks 10% Cm. Pf. 5p
REA 9% Cm. Pf. 4.5p
Do. 12% Cv. Un. Ln. 2000 £6.00
Record 10% Cm. Rd. Pf. 5p
Regis Prop. 8¾% Gtd. Un. Ln. '97 £4.375
Retail Corp 6½% Cm. Pf. 2.275p
Do. 5¾% Cm. 2nd Pf. 2.0125p
River & Merc. Tst. 5% Pf. £1.75
River Plate & Gen. Inv. Tst. 4% Db. Irrd. £2.00
Rolls-Royce Power Eng. 3% Cm. Pf. 1.5p
Do. 5.375% Cm. Pf. 2.6875p
Do. 11% Cm. Pf. 5.5p
Ropner 3.5p
Do. A Non-Vtg. 3.5p
Do. 11.5% Cm. Pf. 5.75p
Rotork 9.5% Cm. Pf. 4.75p
Royal Bk. Can. Fltg. Rate Dbs. '05 $27.45
Royal Bk. Scotland 5½% Cm. Pf. 1.925p
Do. 11% Cm. Pf. 3.85p
Do. Series A Non-Cm. Pf. $0.703125
Do. Series B Non-Cm. Pf. $0.70
Do. Series C Non-Cm. Pf. $0.59375
Rugby 6% Un. Ln. 1993/98 £3.00
Do. 7¾% Un. Ln. 1993/98 £3.875
St. Andrews Tst 5¼% Cm. Pf. £1.8375
St. Davids Inv. Inc. 5.5p
Savoy Hotel 4% 1st Mtg. Perp. Db. £2.00
Do. 8¼% Mtg Db. 91/96 £4.125
Savoy Theatre 4% 1st Mtg. Db. £2.00
Schroders 8¾% Un. Ln. 97/02 £4.375
Schroder Split Fd. 1.6875p
Scot. Eastern Inv. Tst. 4½% Cm. Pf. £1.575
Scot. Mort. & Tst. 6%-12% Stepped Int. Db. '26 £6.00
Scot. Natl. Tst. 6% Cm. Pf. 2.1p
Severn River Crossing 8% I.L. Db. '12 £3.145
Shires High Yield. Small. Co's Tst. 1.2p
Simon Eng 9¼% Db. 92/97 £4.625
Sirdar 7½% Cm. Pf. 2.625p
Slough Ests 11.25% 1st Mtg. Db. '19 £5.625
South African Breweries R0.39
South Staffs Water 7½% Rd. Db. 91/94 £3.75
Do. 7⅞% Rd. Db. 91/94 £3.9375
Sutton District Water 3¼% Db. £1.625
Do. 5% £2.50
Swire (John) 6.3% Cm. Pf. 3.15p
Sykes-Pickavant 1.33p
Takare 11.8% 1st Mtg. Db. 2014 £5.90
Temple Bar Inv. Tst. 9⅞% Db. '17 £4.9375
Tendring Hundred Water Serv. 4% Db. £2.00Do. 12% Rd. Db. 1993 £6.00
Tennessee Gas Pipe. 10% Stg/$ Cv. Un. Ln. 91/95 £5.00TMC Mort. Sec. No.1 Mtg. Bkd. FRN '14 £26.64
T & N 10.1% Mtg. Db. 90/95 £5.05
Do. 11¾% Mtg Db. 95/2000 £5.875
Tootal 4¾% Perp. Db. £2.375
Trafalgar Hse 5.575% Cm. Pf. 2.7875p
Do. 7% Un. Db. 3.5p
Do. 10¼% Un. Ln. 01/06 £5.125
Trafford Park Ests 7¾% 1st Mtg. Db. 90/95 £3.8875
Do. 9% 1st Mtg Db. 91/96 £4.50
Transport Dev. 4.7% Pf. 2.35p
Do. 6¾% Ln. 89/94 £3.375
Do. 8¼% Un. Ln. 93/98 £4.125
TR City of Lon. Tst. 11½% Db. '14 £5.75
TR Tech. Stepped Pf. 3.190704p
Do. Units 12.76281p
TSB Perp. FRN £186.73
UniChem 2.2p
Unigate 6½% Un. Ln. 92/97 £3.25
UK Prop 8½% Un. Ln. 2000/05 £4.25
Waddington 4.2% Cm Pf 2.1p
Do. 5.6% Cm. Pf. 2.8p
Watmoughs 8¼% Cm. Rd. Pf. '06 4.125p
Wellman 50% Pf. 5p
Wells Fargo Fltg. Rate Sb. Nts. '97 $127.78
Do. Fltg. Rate Sb. Nts. 2000 $45.21
Western Motor 5½% Cm. Pf. 1.925p
West Hants Water 4% Db. £2.00
Do. 5% Perp. Db. £2.50
West Kent Water 4% Perp Db £2.00
Westland 7½% Cv. Pf. 3.75p
Whirlpool $0.305
Williams 5⅝% Cm. Cv. Pf. 2.8125p
Williamson Tea 6% Cm. Pf. 2.1p
Wilson (Connolly) 8% Cm. 1st Pf. 2.8p
Do. 10.5% Cm. 2nd Pf. 5.25p
Wolverhampton & Dudley Brew. 8% Cm. Ptg. Pf. 2.8p
Wood (A.)(Longport) 7½% Cm. Pf. 2.625p
Wyevale Garden 8.5p Cv. Cm. Rd. Pf. 4.25p
Yeoman Inv. Tst. 6.4p
Yorkshire Chems 5% Cm Pf 1.75p
Yorkshire Intl. Fin. Gtd. FRN '94 £77.98
York Waterworks 5% Db. £2.50

■ SATURDAY JANUARY 1

Baltic 7% Cv. Rd. Pf. 3.5p
Barbados (Gov. of) 13½% Ln. '15 6.75p
Barings 9¾% Non Cm. Pf. 4.875p
BICC Cap. Fin. 10.75% Cv. Cap. '20 5.419178p
Birmingham Corp. 2½% (in or after) '26 £1.25
Do. 3% 1947 £1.50
Do. 3% 1932 £1.50
Do. 3½% 1946 £1.75
Do. Gas Annuities 50p
Do. Water Annuities 50p
Blackburn Corp 3½% Irred £1.75
Do. 4% Cns. Db. Irred. £2.00
Blockleys 6% Cm. Pf. 1.05p
Boosey & Hawkes 5½% Cm. Rd. 1st Pf. 1.925p
Do. 7% Cm. Pf. 2.45p
Calgary & Edmonton Rlwy 4% Db. (2002) £2.00
Can. Pacific 4% Perp. Cons Db. £2.00
Capital Inds. Cv. Rd. Pf. 01/05 4p
Coastal Corp. $0.10
Colne Valley Water 3½% Irred. Db. £1.75
Do. 4% Db. Irred. £2.00
Do. 4% Db. £2.00
Do. 5% Db. £2.50
Do. 10% Rd. Db. 96/98 £5.00
Commercial Union 3.5% Cm Pf 1.75p
Crane Europe 5½% Cm. Pf. 1.925p
Elliott (B) 3.15% Cm. Rd. Pf. 6.3p
FII 7.7% Cv. Rd. Pf. 95/99 3.85p
First Chicago $0.40
Fleming O'seas Inv Tst 4½% Perp. Db. £2.25
Friendly Hotels 4¾% Cv. Rd. Pf. 2.375p
Do. 7% Cv. Rd. Pf. 3.5p
Grand Metropolitan 5% Cm. Pf. 1.75p
Do. 6¼% Cm. Pf. 2.1875p
Great Southern Cv. Pf. 3.375p
GTE $0.47
Hartlepool Water 23p
Hull Corp. 3½% (1st Issue) £1.75
Iceland Cv. Rd. Pf. 2.75p
Illingworth, Morris (S) 4½% Cm. 1st Pf. 1.575p
ITT $0.495
Kenning Motor 5½% Cm. Pf. 1.925p
Do. 7% Cm. Pf. 2.45p
Kensington & Chelsea (Royal Borough of) 11.15% Rd. '06 £5.575
Kershaw (A) 8% A Cm. Pf. 2.8p
Leeds Corp. 2½% Rd. (1927 or after) £1.25
Do. 3% Db (in or after 1927) £1.50
Do. 5% Irred. £2.50
Lee Valley Water 5% Irred. Db. £2.50
Lilleshall 5% Cm. Pf. 1.75p
Do. 9% Cv. Rd. Pf. 4.5p
Lincoln 3% Rd. (in or after 1919) £1.50
Liverpool Corp. 2½% Rd. (in or after 1923) £1.25
Do. 2¾% Rd. (in or after 1925) £1.375
Do. 3½% £0.875
Lowland Inv. 11¼% Db. '10 £5.625
Marks & Spencer 7% Cm. Pf. 2.45p
Merchant Retail 8¾% Cv. Un. Ln. 99/2004 £4.375
MEPC 10¾% 1st Mtg Db. 2024 £5.375
Mersey Docks & Hbr 3⅝% Irred. Db. £1.8125
Do. 6⅝% Rd. Db. 94/97 £3.3125
Metropolitan Water East Lon. Waterworks 3% Db. £1.50
Mucklow (A & J) 11½% 1st Mtg Db. 2014 £5.75
Murray Income Tst. 4.25% 2.125p
New Brunswick Rlwy 4% Perp. Cons. Db. £2.00
Newcastle-Upon-Tyne Corp. 3½% Irrd. £1.75
Oldham Corp. 4% Db. £2.00
P & O 6.75% Cv. Rd. Pf. 3.375p
Photo-Me Intl. 3.1p
Port of Lon. Authority 3% Port of Lon. A 29/99 £1.50
Powell Duffryn 4⅝% Cm. Pf. 0.83125p
Reading Corp. 3% (1962 or after) £1.50
Reckitt & Colman 5% Cm Pf 1.75p
Renold 6% Cm. Pf. 2.1p
Rickmansworth Water 4% Mtg. Db. 1907/28 Issue £2.00
Russell (A.) 5.75% Cm. Cv. Rd. Pf. 2.875p
Saatchi & Saatchi 6% Cv. Un. Ln. '15 £3.00
Sara Lee $0.16
Sears 7% A Cm. Pf. 2.45p
Do. 7½% Cm. Pf. 2.625p
Do. 12½% Cm. Pf. 4.375p
Simon Eng. 4% Cm. Pf. 94/96 2p
Do. 5.4% Cm. Pf. 2.7p
Do. 6% Cm. Pf. 2.1p
Do. 6.35% Cm. Pf. 1991/96 3.175p
Do. 7.75% Cm. Pf. 1992/97 3.875p
Simons 7½% Cm. Pf. 2.625p
Smith (J.)(Field Head) 5½% Cm. Pf. 1.925p
Sth. Australia 3% Cons. Inscribed (1916 or after) £1.50
Southend Prop. 5½% Cm. Cv. Rd. Pf. 2.75p
Do. 8% Cv. Un. Ln. '20 £4.00
Suffolk Water 4% Perp. Db. £2.00
Do. 5% Perp Db. £2.50
Sunderland Corp. 3% Funded Debt. Ann. £1.50
Do. 4½% £2.25
Swansea Corp. 3½% £1.75
Tomkins Cv. Rd. Pf. 3.125p
Toronto Grey Rail. 4% 1st Mtg. Bds. £2.00
Town Centre Sec. 9% Cv. Un. Ln. 96/2000 £4.50
Tozer Kemsley & Mill. 5½% Cm. Pf. 1.925p
Wrexham & E. Denbighshire Water 3½% Cons Db. £1.75
Yates (WE) 7½% Cm. Pf. 2.625p
Young & Co. Brewery 3½% Irrd. Mtg. Db. £1.75

■ SUNDAY JANUARY 2

Bristol Water 4% Irrd. Deb. £2
Brit. Empire Sec. & Gen. Tst. 8¼% Deb. '23 £2.0034
Do. 10⅜% Deb. 2011 £5.1875
Bulmer (HP) 8¾% 2nd Prf. 4.375p
Do. 9½% Prf. 4.75p
Bunzl 1.8p
Do. 7% Cnv. Uns. Ln. 95/97 £3.5
Hewetson 7% Cnv. Red. Prf. 3.5p
Merchant Retail 5% Prf. 2.5p
Mid Kent Water 9⅞% Red. Deb. 97/99 £4.9375
Do. 12¼% Red. Deb. '05 £6.125
Do. 12¾% Red. Deb. '95 £6.375
Mid-Sussex Water4% Perp. Deb. £2
Do. 5% Perp. Deb. £2.5
Do. 11% Red. Deb. £5.5
North East Water 10.3% Red. Deb. '96 £5.15
PSIT 8% Prf. 4p
Unigroup 7¼% Cnv. Red. Prf. 3.625p
Wrex & E. Denb. Water 4.9% Ptg. 2.45p
Do. 3½% Ptg. Prf. 1.75p
Do. 7⅞% Red. Prf. 96/98 £3.9375
York Waterworks 9% Red. Prf. 4.5p
Do. 10% Red. Deb. 96/98 £5
Do. 11.8% Red. Deb. 95/97 £5.9
Do. 13% Red. Deb. '94 £6.5

UK COMPANIES

■ YESTERDAY
BOARD MEETINGS:
Finals:
Korea Asia Fd.

■ WEDNESDAY DECEMBER 29
COMPANY MEETINGS:
Metro Radio, Radio House, Swallwell, Newcastle upon Tyne, 3.00
Melville Grp., Norton Rose, Bank of America House, 25, Cannon Street, E.C., 10.00
Sheldon Jones, 2, Narrow Key House, Prince Street, Bristol, 11.00

■ THURSDAY DECEMBER 30
COMPANY MEETINGS:
Markheath, 1 Embankment place, W.C., 11.00
BOARD MEETINGS:
Finals:
Ossory Estates

■ FRIDAY DECEMBER 31
COMPANY MEETINGS:
Blackwood Hodge, BM House, Avon Reach, Chippenham, Wiltshire, 10.00
Creston, Grosvenor Hotel, 101 Buckingham Palace Road, S.W., 11.00
Resort Hotels, Ralli Hall, 81 Denmark Villa's House, East Sussex, 10.00

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

MANAGEMENT

BEYOND 2000

The intellectual organisation

What will companies be like in the next century? In the first of a three-part series this week, Charles Handy argues that the main challenge for employers will be keeping and motivating staff

It is ironic, but just when capitalism has so clearly triumphed over communism, we are seeing Karl Marx's great dream come true in a way which he could never have envisaged.

In ten years' time, in most successful businesses, the workers will truly "own the means of production" because those means will be in their own heads and at their fingertips.

It is now widely accepted that by that date 70 per cent or more of the work that we do will require brain skills not manual skills, and when that happens, the cliché that our people are our greatest asset will acquire a hard financial reality.

That is when we will take notice.

Already, many a business has a market value three or four times the worth of its fixed assets. To call the gap "goodwill" is to trivialise it. That gap is the market's estimate of the worth of the intellectual property in the business - not just its patent rights, brands and research in progress, but the skills, knowledge and experience of its people.

When Microsoft briefly topped the charts earlier this year, the New York Times commented that all there was to put your money on was "the imagination of the workers". No one can truly own that imagination except the workers themselves, and they can walk out of the door at any time.

The emerging importance of intellectual property, broadly defined, is going to change many things beyond recognition.

When every business that pursues higher added value thinks in the ways that financial service organisations, advertising agencies and consultancies already do, and seeks to turn its intellect into profit, what was of marginal importance will become commonplace.

Shareholders, for instance, can no longer be owners, in any real sense, of other people's brains, but only investors or, more accurately, backers. The short term will then, I imagine, feature even more, for who would take a long-term bet on an organisation built on the imagination of its workers?

The short term will also dominate the minds of individuals. Once they realise that they are the key assets of a business, they will be more determined than ever to build those personal assets and to take them wherever they will be most productive. Loyalty will be first to one's own career, then to one's profession and only thirdly to the employer.

More and more people will pursue "actors' careers", seeing life as a sequence of roles in projects, sometimes within one large organisation or hopping among several, or behaving as independents with a "portfolio" of roles.

Some will do this out of choice, seeing themselves as potential stars in their bit of the world; others will do it of necessity, as organisations pick and choose talents for projects and discard the ones they don't need.

Large parts of organisations could ultimately become a collection of project teams, harnessing the intellectual assets around a task or an assignment, rather as a consultancy company or an advertising agency does now.

To the individual, the organisation will offer, not the promise of a planned career, but a series of opportunities which one's skill profile may or may not fit. All the world will then, in a sense, be a stage: a sequence of teams with a changing cast of performers, backed by a small continuing production team.

That will not be an easy or a comfortable world, or even a very desirable one, but the tide of technology and competition cannot be halted, even if you don't like the stuff it brings in with it. We must ride the tide, not fight it.

The challenge for business will be to find ways to bind to themselves the players on whom they can depend for the future.

Good conditions of work and employment will not be enough, for there will often be comparable ones around the corner. To be a "preferred employer" it will be necessary to make the vital staff into quasi-partners, with more share ownership and bonus schemes, so that they share the future of the organisation, good and bad, and to invest at the same time in the constant regeneration of their intellectual assets, despite the possibility that the regenerated assets will leave.

It would not be unreasonable, for instance, to expect to invest the traditional 10 per cent depreciation (or regeneration) allowance of both time and salary in the education and development of each individual.

Keeping staff is one thing, working them efficiently is another. Project leadership will become the key to corporate performance.

To build a cohesive team out of the requisite mix of different roles and talents is never easy, as any theatre director will confirm. Hierarchy cuts little ice with stars, for as their leader you have only as much power and influence as they allow you.

Leadership in the world of people assets draws its power from the people over whom it is exercised. It is a world where loyalty has to be earned from the individual, not demanded. Do all this, and there is more. A collection of project teams, no matter how well led and how well starred, is not in itself an organisation. These teams have to be welded together to give them the clout they need in the market.

The "intellectual organisation" needs to be both small and big, local and global, tight and loose. It needs, in short, to be federal.

Federalism is too little understood this side of the Channel and the Atlantic. It is always unfashionable in monarchical or oligarchical regimes because it is built on shared power, compromise and negotiation. Unfamiliar, unpopular and hard to make work, it is nevertheless the way all organisations are heading, because centrally-directed systems are too expensive, too often wrong, too restrictive and too imprisoning for the human soul. When that human soul is your key asset, you have to give it heed. To do that, and remain efficient, is the leading challenge facing our organisations.

The author has written many books on organisations and their futures. His new book, The Empty Raincoat, will be published by Hutchinson in February.

Tomorrow: John Neill of Unipart. Friday: Peter Herriot of Sundridge Park Management Centre

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At the beginning of this year the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) challenged a number of British companies to take a fresh look at the role of business, its underlying purpose, how it operates, how its performance is measured and its role in society.

The original inspiration, according to the RSA, was a lecture by Charles Handy (see article above) entitled "What is a company for?"

The result was the establishment of the RSA's three-year inquiry - *Tomorrow's Company: the role of business in a changing world* - backed by 25 participating companies ranging from Cable and Wireless, Cadbury and Unipart to IBM, Manpower and National Westminster Bank. Their collective aim is to look at the issues from the perspective of different stakeholders - customers, suppliers, providers of capital, employees and community - and to try to develop a shared vision of the future.

At the same time a network of more than 400 interested individuals - drawn mainly from large and small businesses - was formed to assist the participating senior executives in their task.

The RSA hopes to widen the debate in mid-February when the inquiry team publishes its interim findings. The first major platform for discussing them will be at the Tomorrow's Company National Conference on March 17 at the West Yorkshire Playhouse in Leeds. This occasion will be an opportunity for the team to test its ideas in preparation for the final report, due to be published in 1995.

For further information on the RSA Inquiry call Anna Gorely on 071-930-5115 and for information on the conference call Gay Webb on 0532-832600.

Tim Dickson

A CV can be economical with the truth, warns **Adrian Furnham**

Learning to read between the lines

Years ago, CVs were dry, formal documents. Without much attention to either presentation style or self-aggrandisement, people simply reported rather mundanely and factually their biographical details.

This quaint, unselfconscious approach has, in the same way as British party political broadcasts, been taken over by the ad men, the publicity gurus and the public relations people. Politicians have learned the meaning and virtue of the soundbite and the impression of the Italian suit versus the donkey jacket.

The US influence of "talking up" nearly all personal achievements means selectors must be pretty subtle when reading between the lines. Likewise, the general public are now offered the benefits of CV consultants to improve the way they come across. No life is too ordinary, no work history too boring, no pastimes too menial to be considered unworthy of the image treatment.

CV consultants are strangers whose job is to take the details of a rich, varied and complicated life and precis it into a carefully thought-out and laid-out page of A4. There are those who believe this is really money for old rope and they can happily, confidently and money-savingly do it themselves. After all, they argue, they know the life history facts and the purpose of the CV best of all.

Psychologists call the task of CV consultants "impression management". It means quite simply "attempts to change, alter and shape the impression that others receive". Through variations in dress, vocabulary and possessions, we all try to create a favourable impression of ourselves to selected others. If we put in so much effort at the job interview, it makes sense to spend as much, if not more, time and money on the CV.

As a consequence of the professional treatment, the most dreary and ordinary individual with a frankly mediocre, even failed work history can look like a success. No one, it seems, can fail to benefit from the skill of the impression management professional. Read a peer's CV and the way he or she describes a modest achievement or mundane duty, and one can see the benefits of being economical with the truth.

While this may be good for the job hunter, CV-manship certainly presents a problem for the selection and recruitment specialist. If all students are Einstein-like geniuses, all workers are productive Stakhanovites, and all entrepreneurs are neo-Bransons, how can one distinguish between them?

There are three important clues in the modern CV. First what is left out. Beware the CV which ignores or fudges chronological order: people may prefer to ignore long periods on the dole, a failed early career, an unwelcome start at one level. All sorts of important information may be omitted in the interests of the applicant.

Selectors should perhaps have a checklist of information they really need and obtain it from the applicant if the CV does not provide it.

Second, there are the grand generalisations. "My department had a $2m (£1.3m) budget" does not mean the applicant was in charge of it. "Co-ordinated and facilitated staffing issues" could mean anything.

Third, can the information be verified? The more difficult it appears to check, the more likely that it is a fudge. Beware the colonial experience where applicants held impressive-sounding jobs, even if they were genuine, in some far-flung outpost where their skin colour and ability to speak English ensured them senior positions. Names and addresses of organisations on the CV help a great deal.

The paradox of CV-manship is that there may well be an inverse relationship between the CV and person behind it. Over-egging the pudding - glossy brochures with career histories spanning several pages - suggests the cumulative attempts of desperate outplacement consultants. The greater the flourish, the more the prizes, the quicker the promotion - the more ordinary the individual.

The author offers a modest CV and is based at University College London.

Television in 1993/**Christopher Dunkley**

Happily, some triumphs stick in the memory

'To Play the King': Ian Richardson and Michael Kitchen

'The Buddha of Suburbia': Naveen Andrews, Roshan Seth and Susan Fleetwood

Given that 1993 was the year when ITV went down the drain, liked what it found, and stayed there; and when the BBC was preoccupied with administrative tribulations – the agonies arising from "Producer Choice", anxiety over the government's attitude towards the licence fee, the position of the Director-General who was found to be neither on the BBC staff nor paying tax in quite the expected manner – it is astounding how many good programmes there were.

Of course boo boos, stumers and downright dogs appeared in the usual quantities. ITV piloted an Anglicised version of that inimitable American comedy *The Golden Girls* and, even though we told them that shifting the action to Sussex and trying to get people such as Wendy Craig to deliver New York wisecracks in Surbiton accents was a disaster, they persisted and made a series called *Brighton Belles*. Then, when it bombed, they had to pull it out of the schedules.

BBC2 mounted a live "animal watch" series called *Nightshift* in which the degree of wild eyed enthusiasm from the presenters was in inverse proportion to the amount of activity among the animals. When the pitch of the voices approached that of hysteria it meant the foxes and badgers had gone to sleep, and you could safely switch off before the scene cut to some murky garden where nothing was happening. There was approximately the same amount of interest in what Channel 4 decided would be the next big spectator sport after darts (whatever happened to televised darts?) and sumo wrestling (whatever...). In the event, *World Chess: Short v. Kasparov* proved marginally less interesting than watching blancmange set.

Happily, however, it is mainly the pleasures and triumphs which stick in the memory, and although recent programmes come most readily to mind – in drama, for instance, *To Play The King* and *The Buddha Of Suburbia* from the BBC and *Cracker* from ITV – you find when you go back through the lists that there have been treasures throughout the year. Staying with drama, Channel 4's *Lipstick On Your Collar* was not Dennis Potter's best series, yet there were several set piece musical numbers including "Unchained Melody" and "Blue Suede Shoes" which I would happily watch over and over again.

The performance of Honeysuckle Weeks as 12-year-old Kitty in BBC2's *Goggle Eyes*, adapted by Deborah Moggach from Anne Fine's book, should win an award from somebody: she made the emotions of a child whose mother finds herself a new man vivid and touchingly funny. In *Lady Chatterley* on BBC1 one of the Redgrave clan, Joely Richardson, set a trend in getting her kit off which was followed later in the year by cousin Jemma Redgrave in *The Buddha Of Suburbia*. However, it was not so much the female nudity in *Lady Chatterley* which caused the fuss.

So many female viewers offered up hymns to Sean Bean's bottom, that they were rewarded in the autumn with a reprise when Bean stripped off again for *A Woman's Guide To Adultery* on ITV which wins the Dunkley Naff Drama Of The Year Award. In 1993 political correctness was more evident than ever on British television, so it was a good job it was women ogling a male posterior and not the other way about. Unfortunately Ken Russell never found quite the right approach or tone for putting *Lady C* on television, so apart from the usual British fuss over the human body it turned out to be a non-event.

Once again there were very few original single television dramas, though late in the year BBC2 screened a "Performance" series offering several impressive examples of theatre plays, including Fiona Shaw's *Hedda Gabler*. Among the few single dramas that did turn up, Roddy Doyle's adaptation of his own book, *The Snapper*, on BBC2 proved outstanding. Directed in Dublin by Stephen Frears it brought to the television depiction of Irish life a degree of humanity which is almost invariably missing from the Irish material we normally see on television.

Honours for the best British serial drama of the year must be fought out between Granada's *Cracker*, with Robbie Coltrane playing the drinking, flirting, gambling police psychologist; and BBC1's *Between The Lines*, also a police series, which so obviously stood out even though it did not manage to sustain the pace, tension, and overall brilliance of the opening series. It did still manage to combine splendid exterior entertainment with interior political and social sinews in a manner that is not often achieved on television, and very rarely beyond a single series.

The drama of the year, however, was not British but German. Having given us *Heimat* in 1986, a great pantechnicon of a series about several generations of life in rural Germany which you might have thought was a once in a lifetime effort, Edgar Reitz excelled himself this year with *The Second Heimat: A New Generation*. Presumably the longest finite drama series ever made for television – excluding soap operas, in other words – this extended to 13 two-hour episodes and told the story of modern Germany from the early 1960s. It was intelligent, consistently well acted, charming, provocative, informative, occasionally infuriating in its dedication to modern music, and, once you were properly involved, utterly engrossing. In north west London viewers sought out cassettes of missed episodes with the passion of philatelists completing sets of stamps.

In another weak year for comedy the top series was, once again, *Have I Got News For You* on BBC2. Most memorable of all their episodes was that in which Roy Hattersley's place was taken by a tub of lard, a programme that proved, thanks largely though not wholly to Paul Merton, to be much funnier than the later programme when Hattersley finally turned up in person.

At the year's end only two brand new comedy series seem worth recalling: *Chef* on BBC1 with Lenny Henry playing, and occasionally over playing, a prima donna cook; and *Goodnight Sweetheart*, also on BBC1, starring Nicholas Lyndhurst as a television repairman who finds a time warp in a London alleyway (it does not affect anyone else) and regularly travels back to a pub in the era of the London Blitz. *Absolutely Fabulous* would walk off with the laurels but for the fact that 1993 brought us only a repeat screening of last year's series. The second series will be with us in spring 1994, thank goodness. The failure of the new ITV companies to produce even a single nominee for "Best Situation Comedy" was rightly emphasised by presenter Jonathan Ross in this month's *British Comedy Awards*.

Once more the arts-and-culture series of the year was *Without Walls* on Channel 4 which has now succeeded in making all its competitors look old fashioned if not downright tatty. From Rory Bremner on Dame Edna to a series on the effect of drugs upon the arts ("The Art Of Tripping"), from "Diana Sex Goddess" to the sociology of the Rolls Royce, the series has led the way and set the pace. BBC1's *Omnibus* gave us a marvellously mischievous programme from Kriss Rusmanis on the truth about orchestral conductors; and the best single arts documentary of the year was Sheree Folkson's fascinatingly contrived investigation of Géricault's painting, "The Raft Of The Medusa" in BBC2's series *Every Picture Tells A Story*.

The documentary prize must go to *Thatcher: The Downing Street Years*, provided there is a separate wildlife category to allow an award for Attenborough's *Life In The Freezer*, a magnificent BBC1 series on Antarctica which, as Attenborough himself would be the first to concede, was made possible by a big team of astoundingly hardy and inventive film makers. The Thatcher programmes were unmissable not merely because the title role was played with such ferocious egotism, but because the series as a whole proved, perhaps for the first time, that as a tool of history television can be as useful as books. It may even be superior, once the history in question – as in this instance – enters the period for which we possess a huge archive of television news.

A special award for Striving To Tell The Truth About Aids On Television Despite The Tunnel Vision Of The Industry's Politically Correct Agenda Setters, would normally go automatically to Joan Shenton of the independent company Meditel, the only person who, from the very beginning, has insisted on keeping a level head and publicising the evidence, even when it does not put haloes on homosexuals. This year, however, it goes to Barraclough Carey, another independent production company, which produced *The Plague*, a four-part series for Channel 4 surveying the entire history of Aids. The last programme rather let down the rest, allowing an instinct for compassion to overcome the necessary rigour of good journalism (it was weak, for instance, on the true incidence of Aids in sub-Saharan Africa, on the precise practices of the British haemophiliac who is supposed to have given Aids to four women, and on the comparative global seriousness of the disease) yet the series was still such a powerful, admirable and extensive piece of work that it deserves the prize.

Speaking of good journalism, 1993 was the year when ITV carelessly and stupidly abandoned *This Week*, *First Tuesday* and *Viewpoint*, three series known for the seriousness of their approach and the high quality of many of their results. Having been told repeatedly by the new men (yes, men) in ITV not to whine for a golden past but to wait and see what was put in its place, we have now begun to see – and very depressing it is.

There is one spark of hope. The Discovery Channel has announced that, having shown a *First Tuesday* programme this month, it has now commissioned Yorkshire TV to continue the series throughout 1994. I must admit that when ITV began its systematic abandonment of grown up television it never occurred to me that the satellite channels might step into the breach. Let us hope it is the beginning of a major trend: it is high time satellite television ended its reliance on American, Australian and British repeats and began to put money into the origination of proper programmes.

No doubt that will take some time. Meanwhile it seems pretty clear that 1994 is going to be the BBC's year.

Jazz in 1993/**Garry Booth**

From New Orleans to synthesizers

Jazz fans have reason to be nostalgic and partisan: there really have been golden eras when new and groundbreaking talent queued for a hearing. In the 1930s, swing was the thing; in the 1940s, beebop burst onto the scene; in the 1950s the cool school opened, and in the 1960s and 1970s, free music and then fusion marked the extremes of commerciality. If the 1980s are remembered as the time beebop boomed again, alongside acid dance, what will the 1990s come to represent? A consolidation of world beat in jazz, the post-modernisation of bebop in the new chamber jazz or the return to basic principles?

Well, 1993 seemed to encapsulate the lot. From the sepia-tinged New Orleans beginnings to the synthesized way ahead, the history of jazz was personified last year in the swinging Lionel Hampton Orchestra, the retro-classical trumpet tones of Wynton Marsalis, the new world of improvisation in South African Bheki Mseleku and the young urban angst of New Yorker Steve Coleman. The annual migration to Europe of sax statesmen such as Sonny Rollins, Johnny Griffin and Jackie McLean kept the movement in context while the Five Blind Boys of Alabama, as well as Harry Connick Jr, reminded us that "jazz" can still deliver more fundamental pleasure.

Who will light the way in 1994? For this critic at least, a glow of pleasure lingers from saxophonist David Murray's summer visit. The tidal energy and burning ideas which powered the trio through his own neo-bop compositions surpassed almost anything else on offer and his return is eagerly awaited. Besides Murray, two other saxophonists who continue to illuminate new fields of improvisation are Joe Henderson and Norwegian Jan Garbarek. Though one blows warm and the other cold, they share the authority and inner peace which gives their different sounds an embracing sense of purpose.

For sheer excitement and exoticism, pianists like Don Pullen and Randy Weston set the standard for 1994. Weston, the beatnik's role model, continues to fleck his rich weave of Afro-jazz with Middle Eastern colour, to intoxicating effect, as seen at the Royal Festival Hall. Even Ahmad Jamal, who once provided the airy framework for Miles Davis' early recordings, is finding a more dense style and the vaulted arches of the Union Chapel last spring teemed with the splintering chords and interlinking quotes borne by the surging Jamal pulse.

In contrast to the channelled exuberance of contemporary piano-led groups, the Paul Motian school of jazz has cultivated a kind of speccy and earnest introspection. This has been most noticeable in guitar players, exemplified by John Scofield. Last year the young fogeys of jazz were gently teased by guitarist Bill Frisell's cranky dissection of American composers from Ives to Madonna at the Queen Elizabeth Hall. Back at the Union Chapel, as part of the new expanded London Jazz Festival, the jazz intelligentsia were exercised by the intricate workings of master guitarist Jim Hall, one of the most original yet underrated jazz musicians around today.

Thoughtful and reflective music like Henderson's and Hall's will characterise the 1990s – unless their minor scales are sidelined by the pianists.

Theatre/**Malcolm Rutherford**

An ultra-violet 'Peter Pan'

Some people may like *Peter Pan* at Sadler's Wells, though it should come with a warning. This is not Peter Pan with dialogue, wit, symbolism and a story that many of us admire. Nor is this the old Sadler's Wells that many of us remember with affection. Scarcely a monument to a better yesterday remains, save that the place is still in Rosebery Avenue. This is regimented, educational theatre backed by the London Arts Board with the help of Czechoslovakia.

Not the new republics of the 1990s, but the Czechoslovakia before the Berlin Wall came down and when it made sense to do things in mime because there was no guaranteed freedom of expression.

The Black Light Theatre of Prague's production is interesting, if you have not seen the techniques before, for a few minutes because it has some clever staging and visual effects. The coffee cups float up and down, brightness falls from the air, the lighting is ultra-violet. It does not take long for such effects to wear thin. If you can float one object, you can float another, and another, and make a crocodile crawl across the floor in lights. Twice is enough.

The Prague production makes the nearly always fatal mistake of seeking to combine too many art forms in one: dance, music, visual show-off while trying to tell a story. The dance is sometimes pretty. The music is varied, but always banal – never fast enough to have zip, never slow enough to have feeling: real old communist central Europe. The story is lost. The real Peter Pan has some very good lines and intriguing psychology. It ends with Mr Darling retreating into the kennel to which he had banished the dog on the night the Darlings went out to dinner. In the Black Light version this is omitted.

If you go to see, be sure to buy a copy of the programme, read it and keep it. In terms of pretentiousness, it is a collector's item.

Sadler's Wells Theatre until January 8. (071) 434 0909

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight, Sun, next Wed: Hartmut Haenchen conducts Beethoven's Ninth Symphony. Jan 4: Aldo Ciccolini piano recital. Jan 6, 12, 14, 16: Gerd Albrecht conducts Royal Concertgebouw Orchestra. Jan 8: Maria Joao Pires piano recital. Jan 11: Hilliard Ensemble. Jan 16: Mitsuko Uchida piano recital (020-671 8345)
Muziektheater Tonight, Sat: Dutch National Ballet in the Ashton staging of Prokofiev's Cinderella. Tomorrow: Graeme Jenkins conducts Alfred Kirchner's production of La traviata, with Deborah Riedel as Violetta. Jan 5, 6 7: Frankfurt Ballet presents William Forsythe's Loss of Small Detail. Jan 12: first night of Pierre Audi's new production of Mozart's Il re pastore (020-625 5455)

■ ANTWERP

de Vlaamse Opera Monteverdi's L'incoronazione di Poppea opens on Jan 16 in a production conducted by René Jacobs, staged by Gilbert Deflo and designed by William Orlandi, with Ann Panagulias in the title role (03-233 6685)
deSingel Christoph Eschenbach conducts the Orchestra of the Monnaie on Sun in works by Bernstein, Barber, Gershwin and Beethoven, with piano soloist Tzimon Barto (03-248 3800)

■ BASLE

Stadttheater A new production of Rossini's Il viaggio a Reims, conducted by Torsten Buldmann and staged by Markus Weber, can be seen tonight and Fri, also Jan 2, 7, 9, 10, 14, 15, 16 (061-295 1133)
Casino Heinz Holliger conducts Basle Symphony Orchestra on Jan 6 in works by Mozart and Mahler, with soloists Ruth Ziesak and Jean Louis Steuerman (061-272 1176)

■ BORDEAUX

Ballet-Théâtre de Bordeaux presents a double bill at Palais des Sports tonight and Fri. Die Fledermaus opens at Grand-Théâtre on Fri, in a staging by Jérôme Savary (5648 5854)

■ BRUSSELS

Monnaie Christoph Eschenbach conducts an orchestral concert on New Year's Eve featuring works by Bernstein, Barber, Gershwin and Beethoven. The next opera production is Jonathan Harvey's Inquest of Love, opening on Jan 23 (02-218 1211)

■ CHICAGO

● Chicago Lyric Opera presents Il trovatore on Jan 3, 7, 11, 15, 19 and 22, with a cast led by Lyubov Kazarnovskaya, Chris Merritt, Dolora Zajick and Paolo Gavanelli. Daniel Barenboim makes his Lyric Opera debut on Jan 24 conducting the first night of Wozzeck, in the production by Patrice Chéreau first seen last year in Paris. The cast is headed by Franz Grundheber and Waltraud Meier. La traviata returns on Jan 29 with June Anderson and Roberto Alagna (312-332 2244)
● Chicago Symphony Orchestra's next concert is on Jan 6, when Daniel Barenboim returns to conduct the first of three programmes (312-435 6666)

■ COPENHAGEN

Royal Theatre The Royal Danish Ballet has a new production of The Sleeping Beauty, with choreography by Helgi Tomasson based on Petipa. It continues in repertory with La boheme and Menotti's Amahl and the Night Visitors. There will be a concert at 5pm on New Year's Eve, and the Norwegian Ballet gives guest performances on Jan 8 and 9 (3314 1002)

■ LAUSANNE

Théâtre Municipal Offenbach's La belle Hélène, staged by Jérôme Savary and conducted by Jean-François Monot, opens on Fri, repeated Jan 2, 5, 6, 8 and 9 (021-312 6433)

■ LYON

Maguy Marin's production of Prokofiev's ballet Cinderella can be seen tonight, tomorrow and Fri at the Opéra (7200 4545). Valerie Masterson is soprano soloist in a New Year's Eve Viennese concert at the Auditorium (7860 3713)

■ MARSEILLE

Opéra Offenbach's Orphée aux enfers can be seen tonight, tomorrow and Fri, with a cast including Ghylaine Raphanel and Tibère Raffali (9155 0070)

■ SALZBURG

MOZARTWOCHE
A Mozart festival takes place at the Mozarteum and Grosses Festspielhaus from Jan 21 to 30. The orchestral concerts feature Concerto Köln, the Mozarteum Orchestra and the Vienna Philharmonic under Manfred Honeck, Michael Gielen and Sandor Vegh. Piano soloists include Maria Tipo and Mitsuko Uchida. Andras Schiff will give two recitals and take part in two chamber music performances. The Hagen Quartet will give the world premiere of a new work by György Kurtag (tel 0662-873154 fax 0662-872996)

■ VIENNA

MUSIC
Musikverein The Vienna Philharmonic Orchestra's New Year concerts will be conducted by Lorin Maazel (505 8190)
Staatsoper Tonight, tomorrow, next Tuesday: Nutcracker. December 31, January 1: Die Fledermaus with Karita Mattila and Hermann Prey. January 2, 7, 10: Les Contes d'Hoffmann with Placido Domingo, Bryn Terfel and Heinz Zednik. January 3: Salome with Gwyneth Jones. January 5: La traviata with Julia Varady (51444 2955)
Konzerthaus Friday, Sat: Rafael Frühbeck de Burgos conducts Vienna Symphony Orchestra and Chorus in Beethoven's Ninth Symphony. January 9: Anne Sofie von Otter. January 12: Francisco Araiza. January 30: Midori (712 1211)

THEATRE
A new production of Brecht's Caucasian Chalk Circle, directed by Ruth Berghaus, has joined the Burgtheater repertory (51444 2218). The Akademietheater has David Mamet's Oleanna and Maxim Gorki's Children of the Sun (51444 2959).

■ WASHINGTON

MUSIC/DANCE
● Washington Opera is in residence at Eisenhower Theater with La fille du régiment, Ariadne auf Naxos and the world premiere of Dominick Argento's The Dream of Valentino. The Donizetti, sung in English with a cast led by Tracy Dahl, can be seen on Jan 2, 9, 18, 20, 24, 26, 29, Feb 1 and 4. The Strauss, conducted by Heinz Fricke with a cast including Rachel Gettler, Jon Frederick West and John Shirley-Quirk, opens on Jan 8, repeated Jan 10, 16, 19, 22, 25, 28, 31, Feb 3, 6, 10 and 12. The new Argento work opens on Jan 15 (202-467 4600)
● A programme of music by 14th century French composer Guillaume de Machaut can be heard at Washington National Cathedral on January 7 and 8. The programme will feature the Philadelphia Renaissance Wind Band and vocalists Peter Becker, Drew Minter and Mark Bleeke (202-544 7077)

THEATRE
● The Will Rogers Follies: the Tony Award-winning musical, choreographed by Tommy Tune and starring Mac Davis, runs daily except Mon till Jan 30 (Kennedy Center Opera House 202-467 4600)
● Julius Caesar: a Shakespeare Theater production. Till Jan 9 (Lansburgh 202-393 2700)
● Cats: Trevor Nunn's production of the Andrew Lloyd Webber musical. Till Jan 8 (National Theater 202-628 6161)
● Alice in Wonderland: new stage production of Lewis Carroll's classic fantasy for children (Kennedy Center 202-467 4600)

■ ZURICH

Opernhaus Tonight, next Thurs: Salome with Inga Nielsen. Fri: Il barbiere di Siviglia with Agnes Baltsa. Sat: Der Rosenkavalier. Sun: Manfred Honeck conducts first night of Hans Hollmann's new production of Andrea Chenier, with a cast led by Francisco Araiza, Gabriela Benackova and Giorgio Zancanaro (repeated Jan 5, 8, 15, 20, 23, 26, 29, Feb 3). Next Tuesday and Friday: Bernd Bienert's choreography of Glazunov's Raymonda (01-262 0909)
Tonhalle Fri: Skitch Henderson hosts a programme of music by Gershwin, Weill, Lloyd Webber and others. Jan 5: Britten's War Requiem. Jan 15: Simon Estes sings spirituals (01-261 1600)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)
MONDAY TO FRIDAY
Super Channel: European Business Today 2230; repeated 0630, 0715
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Super Channel: FT Reports 1230.
TUESDAY
Super Channel: West of Moscow 1230
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345
WEDNESDAY
Super Channel: FT Reports 1230
THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
Euronews 0745, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

Cold comfort park

Euro Disney is hoping for a happier new year, says **Alice Rawsthorn**

Most visitors to EuroDisneyland over the holiday period are there to see Mickey and Minnie Mouse capering around the gigantic Christmas tree. Not Alice Ross.

Mrs Ross is a woman with a mission. She is an accountant from Delaware, in the US, and an investor in Walt Disney, the US entertainment group. Disney has seen its shares fall sharply this year, owing to the losses it has incurred on its 49 per cent stake in Euro Disney, the struggling leisure company that operates the EuroDisneyland theme park. Mrs Ross was spending two days at EuroDisneyland to see what the problem might be.

"My Disney stock has been sinking like a stone because of this place and, as I'm over in France, I thought: 'Why not rub a little salt in the wound?'" she said. "I'm looking into everything. Disney holds its annual shareholders' meeting in Delaware. I'm going to tell Mike Eisner [the Disney chairman] what I think."

A belligerent shareholder such as Mrs Ross is only one of the problems plaguing Mr Eisner and his colleagues. They will spend the festive season putting the finishing touches to the proposals they will present next month to Euro Disney's creditor banks. They hope to persuade the banks to save the company from collapse by agreeing to restructure its FFr20.3bn (£2.3bn) net debt. The US group has warned the banks that, unless the restructuring is completed by March 31, Euro Disney, which reported a net loss of FFr5.3bn for the year to September 30, will be forced to close.

In the meantime, Euro Disney is hoping for a repetition of last Christmas, when EuroDisneyland was buoyed by a surge of visitors.

More than 30,000 people visited the theme park on New Year's eve: well below the record of 90,000 in September last year, but much better than its low of 5,000 one icy day last January. A successful Christmas and new year would not only help to ease the strain on Euro Disney's cashflow, but would also act as a timely demonstration to the banks that it might be worth saving.

EuroDisneyland's employees have done their best to deck it out in festive finery. Ivy bells dangle from the lamp posts. Mickey and Minnie Mouse skate across the Hotel New York ice rink. The strains of Christmas muzak are piped all over the park. Even the barber shop quartet in the Main Street shopping arcade has ditched its usual repertoire in favour of carols. At 5pm each day one child is chosen to light the 20-metre Christmas tree.

The decorations alone had been enough to tempt Corinne Jillit, a public relations executive from Angoulême in western France, to bring her four-year-old son. "The park looks so pretty at this time of year," she said. "We'd rather come in the winter, when we don't have to queue to get on the rides."

Werner Müller, an engineer from Hamburg visiting with his six-year-old twins, agreed. "Friends who came here in August had to queue for two hours just to get on the rides," he said. "At this time of year the kids don't have to wait too long, just as well given the weather." The cold was already proving too much for other visitors. "It's freezing," said Willi Ramstein, an Italian architect, who had come to the park during a business trip to Paris. "The park's great, but the weather's terrible."

Jane Pritchard from south Wales said: "You'd think they'd sell warm hats in this weather." Her companion added: "Never mind, we'll go to the Florida park next time." "It's sunny there."

The souvenir shops were packed with festive memorabilia – a Winnie the Pooh Christmas stocking for FFr125, a Mickey Mouse Santa hat for FFr30 and a Goofy bauble for FFr29 – but no woolly hats.

As for Mrs Ross, her mission had only just started. But on her first impressions, she seemed to agree with the other shivering visitors. "They should have built this place somewhere warmer."

Paris pales besides Tokyo

We have been to EuroDisneyland and to Tokyo Disneyland. The weather was good for both visits, but it is easy to see why the French one is in trouble.

Queues are one thing. At EuroDisneyland, men barge and climb over barriers. Two hours is not an unusual queuing time. In Tokyo, queues are shorter because everyone waits their turn properly. EuroDisneyland needs more staff.

Getting food at Tokyo Disneyland is much easier and there is a bigger choice, including kebabs and rice and sushi. Once in EuroDisneyland, we went to get some tea and the queues were not moving. Our dad went to look at the front. No one was serving. So we went to another cafe.

We do not think pickpocketing is such a problem in Tokyo. In EuroDisneyland, we were in a 90-minute queue for *Pirates of the Caribbean* and our mother thought she felt somebody touching her pockets. She turned round and the lady behind said: "It's just me." But mum was sure she was a pickpocket. The staff said that it just happens and that they were not going to do anything about it.

In Tokyo, the staff smiled and gave us toys and sweets. The staff did not smile very much at EuroDisneyland.

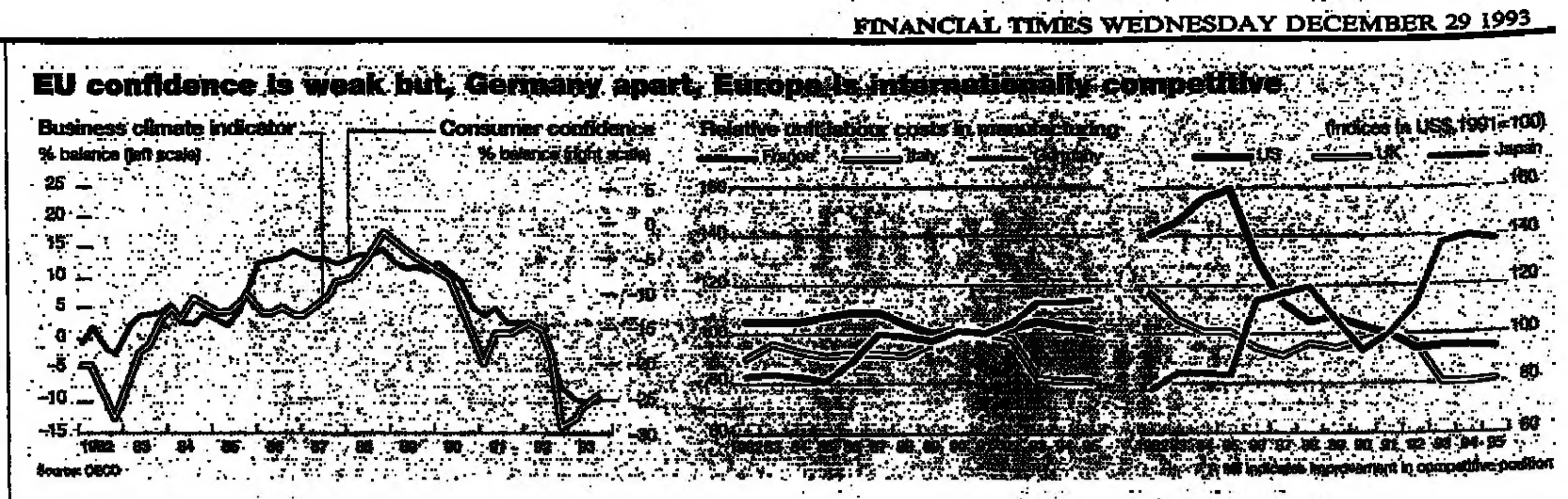
We think Tokyo Disneyland is cleaner. In EuroDisneyland, the boats in *It's a small world* had mud in them.

There is more space in Tokyo Disneyland, 204 acres against 136 acres in EuroDisneyland. We thought they were equally crowded, but Tokyo felt emptier because everybody was polite.

We think Tokyo Disneyland is more enjoyable to visit, because we were better treated there.

Laura and Sophia Dawkins

Laura (10) and Sophia (8) moved from Paris to Tokyo in September.



Peter Norman says there is reason to believe that European economies are bouncing back

Tide of gloom starts to ebb

It is easy to be glum about Europe.

Overall output in the continent's 19 advanced industrialised countries is thought to have fallen this year for the first time since 1975.

Western Europe's jobless total is rising inexorably. The Organisation for Economic Co-operation and Development in Paris forecasts that 22m, or 11.5 per cent, of the region's labour force will be out of work in 1995. Unemployment, now about 10.7 per cent, has more than doubled in the 18 years since the first serious recession of the postwar years.

Business and consumer confidence is weak. For most, the long upsurge of prosperity of the 1980s is a distant memory. So is the age of political miracles that brought the fall of the Berlin Wall and the collapse of communism just four years ago.

With few exceptions, Europe's political leaders appear exhausted. Their governments are deeply unpopular and, saddled with rising budget deficits, incapable of pump-priming economic recovery.

Yet 1993 may turn out to be the year in which Europe's fortunes turned. Although it will be remembered for recession, currency crises and lengthening dole queues, 1993 is ending more positively for the members of the European Union and their immediate neighbours.

The economic fundamentals have improved. More important, the sense of drift has stopped. Businesses, governments and the European Commission have woken up to the remorseless increase in competition worldwide. Britain's two tough budgets this year, the *"Standort Deutschland"* debate in Germany and the Bonn government's subsequent conversion to the doctrine of more work and less leisure, plus the Commission's white paper on Growth Competitiveness and Employment, are symptoms of a change of mood.

More telling is what is happening in businesses in the UK and on the continent. Companies are becoming leaner and meaner. The spectre of competition from the newly industrialising countries of east Asia has made the US practice of "downsizing", with heavy job losses, respectable in Europe. Trade unions are for the most part quiescent and in some cases willing to aid management rationalise operations.

This month's boardroom clear-out at Metallgesellschaft, the German industrial conglomerate, after the discovery of large losses, was novel in its ruthlessness. Even the long-running and baffling business soap opera centring on allegations of theft and industrial espionage against Mr José Ignacio Lopez de Arriortúa, the Volkswagen group production director, began with a serious purpose when VW sought out the former General Motors director to push through a cost-cutting revolution within the group.

Such trends are sure to intensify once this month's Uruguay Round accord to liberalise world trade comes into force. The agreement, even before ratification, could act as a spur to companies to invest and rationalise.

Over time, the Gatt accord should promote growth, with Europe standing to gain more than most other regions of the world from freer trade. Computer simulations from the OECD suggest that the Uruguay Round will add at least $270bn in 1991 prices to world income in 2002. The European Union's share is estimated at $71bn, equivalent to 1.7 per cent of the region's gross domestic product, while that of the European Free Trade Association (Efta) countries is put at $38bn or 6 per cent of regional GDP.

The real benefits should be greater. Such computer calculations take no account of the increased business confidence that should flow from freer trade or the fact that this month's accord has been felicitously timed after so many years of delay and frustration.

Several European economies have performed unexpectedly well in recent months. Britain's recovery is firmly established. German gross domestic product grew in the third as well as the second quarter. France appears to have touched bottom. Trends in smaller economies such as Austria, Switzerland, Ireland and Denmark have been encouraging.

The charts, showing relative unit labour costs in manufacturing, illustrate how several big European economies (Germany is an exception) are more competitive internationally than they were a year ago, while Japan has suffered a substantial set back.

Short and long-term interest rates have fallen over the past year as the Bundesbank has cautiously eased its monetary policy. The German "repo rate" is at 6 per cent compared with 9.75 per cent in September 1992, just before the first European monetary crisis, which resulted in the exit of sterling and the lira from the exchange rate mechanism. Since then, UK and Italian short-term rates have roughly halved. France's short-term borrowing costs have fallen close to German levels from about 14 per cent in the 1992 currency crisis and 9 per cent in late July this year before speculative flows forced the August decision to widen the system's fluctuation margins to 15 per cent.

Inflation in Europe is low, with the OECD projecting a deceleration for its European members, excluding Turkey, to an average annual rate of 2.3 per cent by the end of 1995 from about 3.1 per cent at present. Oil prices have fallen in [illegible] terms to levels last seen be[illegible] the first oil shock of 1973. [illegible]ge gaps between potential a[illegible] actual output in countries suc[illegible] Italy, France and the UK sugge[illegible] that home-made inflationary pressures will remain subdued.

To be sure, there are risks. Given the political instability of the Middle East, only the brave would bank on oil prices remaining at their present low levels of less than $15 a barrel. In spite of the past year's falls in nominal interest rates, real rates are relatively high. Some of the optimism that propelled European equity markets to new peaks this month could evaporate if German inflation proves more stubborn than expected and the Bundesbank slows its cautious rate-cutting policy.

In some countries, tighter fiscal policies to combat swollen budget deficits could weaken recovery. German GDP is widely expected to fall again in the first half of 1994 as benefit cuts, higher petrol taxes, a wage freeze for civil servants and increased pension contributions take DM60bn from consumers. In Britain, voters have reacted less positively than financial markets to Mr Kenneth Clarke's November Budget, which, with that of Mr Norman Lamont in March, will cost taxpayers a cumulative £15bn to £17bn in three years.

The fiscal legacy of the recession years in most countries, heavy household debts in the UK and Scandinavia, the continuing need for businesses to restructure to stay competitive, and consequent high unemployment will make for a joyless recovery. There will not be much of a "feel good" factor in Europe in the years ahead.

Europe will seem to many of its citizens to be in recession long after growth has returned, posing a real threat to incumbent governments. Germany, Italy, the Netherlands and Sweden go to the polls next year and political upheavals cannot be ruled out.

But looking beyond 1994, there is a good prospect of steady, if unspectacular, growth over a prolonged period with low inflation. Western Europe may even be moving into what future generations will call a "golden age". But it could take many years before it feels that way to its inhabitants.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

'Fiddles' in jobless statistics

From Dr John Wells.

Sir, The renewed line in official unemployment – those unemployed and claiming benefit – in recent months has enabled government spokesmen to rubbish all talk of administrative fiddles, which greeted the initial downturn in unemployment in March. Such "fiddles" could result from the targets set the employment service in respect of both inflows on to and outflows from the claimant count.

Food for thought, however, is provided by the recently published results of this summer's household-based labour force survey, which estimates unemployment using an entirely different approach based on internationally agreed guidelines; the so-called International Labour Organisation unemployed are those without a job, who were available to start work during the two weeks following their LFS interview and had looked for work during the previous four.

One result is that ILO unemployment, seasonally adjusted, rose between spring and summer, when claimant unemployment was falling.

Of even greater interest is the divergent movement in the two components of ILO unemployment. The number of ILO unemployed claimants (those unemployed on both definitions) has fallen by the same extent as the official claimant count. On the other hand, the numbers of ILO unemployed non-claimants – those who are ILO unemployed but are eligible for benefit – rose by 130,000 between spring and summer. Although these figures are not seasonally adjusted, ILO unemployed non-claimants now stand at 1.08m – the highest since the series began in 1983.

The divergent behaviour of these two components of ILO unemployment may mean that it is premature to dismiss talk of administrative fiddles affecting the value of the claimant count either as an indicator of labour market performance or as a measure of social welfare.

John Wells,
faculty of economics and politics,
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Cambridge CB3 9DD

Blueprint for local government

From Mr Martin Eastel.

Sir, Contrary to the assertion in your leader, "Local difficulties" (December 22), the Local Government Commission has recommended many of the structures that your leader supports.

Thus, you argue for the retention in "much of England outside the conurbations" of the two-tier system. We have recognised this in many of the largely rural areas of the counties we have reviewed so far.

You also support the principle of single unitary authorities for the larger cities. So does the commission, provided the wider strategic issues concerned continue to be seen within a framework of a structure plan which encompasses the wider surrounding area, which is the case both in Middlesbrough and Bristol.

The commission does indeed undertake systematic and objective opinion research, to help determine local feelings of communities, and to help gauge reaction to its draft recommendations. It has also received many thousands of other representations. We are obliged by our guidance from the secretary of state to "take into account people's expressed preferences". This we have done. There is no national blueprint.

Clearly it is not possible in a review of this kind to please everyone. In particular, there is a need on the part of all those concerned to think ahead and to determine a structure which will ensure that local government in the future meets the needs of the community in such a way that many of the functions now undertaken by quangos may instead become the responsibility of local authorities with clear accountability for the way they carry them out.

Martin Eastel,
chief executive,
Local Government Commission for England,
Dolphyn Court,
10/11 Great Turnstile,
Lincoln's Inn Fields,
London WC1V 7JU

Plug standard claims need investigating

From Mr Simon Hossack.

Sir, As the "individual" referred to in Mr M J Davison's letter (December 7) concerning the adoption by the UK of the harmonised plug and socket system being proposed by Cenelec, the European standards setting body, I would like the opportunity to respond.

I am not, as he stated, in disagreement with the whole of the electrical industry in the UK – only a particularly vocal part of it. The proposed new Cenelec system is not dangerously compatible with the British 13 amp system, and the Royal Society for the Prevention of Accidents most certainly cannot be considered "truly independent" given the fact that its electrical safety consultant also works for the UK's largest and best-known manufacturer of moulded 13 amp plugs and cordsets.

British manufacturing industry will not be "severely disadvantaged"; indeed the UK plug manufacturers' own trade association, Eiema, supports harmonisation based on an unfused 16 amp MK design which would also require the demise of the "ring-main" – and cost just the same as the Cenelec proposal.

The British consumer will not "face an astronomic bill for replacing all plugs and sockets" – in fact, the introduction of the new system will potentially save UK consumers hundreds of millions of pounds every year.

To state that the "British 13 amp system" is "probably the safest in the world" is misleading – as anyone who has read the Department of Trade and Industry's consumer safety accident reports relating to plugs can attest. These reports clearly show that of all the accidents involving plugs in the UK, the single greatest cause (nearly 60 per cent) is the physical size and fundamental design of the 13 amp plug itself.

Indeed, only a couple of years ago a highly respected ex-director of Mr Davison's own company, MK, told me that "nobody in their right mind would subscribe to a fused plug".

Clearly someone has got their facts very badly wrong. Accordingly, I ask both Mr Davison and Mr Dossett, of Eiema, to join me in asking any shareholder or director of any company with an interest in or around this area, and who is concerned about that company's future, to ask for an immediate investigation by the Office of Fair Trading and the European Commission's competition directorate DG IV, into the veracity of all the various claims and counter-claims that have been circulated.

I suspect that the threat of a fine of up to 10 per cent of their companies' gross annual turnover should concentrate wonderfully the minds of those currently engaged in exaggeration of the facts.

Simon Hossack,
Hare Street,
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Hertfordshire SG9 0EA

Faulty assumptions about Turkey's attitudes

From Mr Osman Streater.

Sir, David Gardner may be right in his assessment of Theodoros Pangalos and the Pasok government in Greece (The FT Interview, December 22). But when he crosses the border into Turkey, he makes assumptions which are either untrue or out of date.

The latter is certainly the case where he talks of Turkey aspiring to membership of the European Union. Turkey is now ambivalent in its attitude to the Union, not only because of its growing role in central Asia but also because the EU is in many ways doing more for Turkey by way of apology for keeping Turkey out than it would if it allowed Turkey in.

As for "historic Greek-Turkish enmity", there is no such thing – in Turkey. Many a traveller has commented on the absence of any anti-Greek sentiment in Turkey, and contrasted it with the outpourings of anti-Turkish bile in Greece.

Osman Streater,
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Another fudge from Tokyo

The Japanese government looks *as if it has failed* to grasp the seriousness of what has become, by some measures, the country's worst recession since the second world war. After 32 months of economic slowdown or decline, the economy has failed to respond to record low interest rates and Y30,000bn ($272bn) of public spending packages. A credit squeeze is under way and several private sector economists fear a deflationary spiral.

The latest batch of economic measures from Mr Morihiro Hosokawa's government, delivered just before Christmas, offers only a vague restatement of earlier promises to cut income tax and red tape. This reflects the prime minister's difficulties in keeping a fragile coalition together. Yet, the government will prolong the recession - and shorten its own life - unless it turns to more courageous solutions.

Poor implementation is *part of* the reason why current policies are failing to work, but only a small part. The Bank of Japan has been too slow to cut interest rates, due to its wish to make sure that the bubble of the late 1980s has been fully deflated, while local government has dragged its heels in implementing infrastructure projects, not least because officials fear attracting the attention of public prosecutors by letting contracts to companies with which they have had previous contact.

But the real problem is that government, along with the business *establishment, has addressed only* the symptom of Japan's economic malaise, weakness of demand. The underlying problems are a credit squeeze caused by the collapse in asset prices during the recession and the structural overcapacity built up in Japan's maturing industrial economy over the past decade or so. The car industry alone admits to overcapacity equivalent to the entire car market of Britain or France.

Bad debts

In the two years to the end of 1992, the Economic Planning Agency calculates that stock and land prices fell by a total of Y611,674bn ($5,560bn) - a collapse likened by one Tokyo economist to the effects of a war. This has saddled banks with mounting bad debts from dud property deals and weakened their own reserves, much of which are made up from unrealised equity profits.

What Japan therefore needs is aggressive action to improve corporate profitability and the supply of credit. Unfortunately, many of the largest companies' markets are so mature that the only way to improve profits is to reduce break-even levels, which means wholesale job cuts. The job reductions and transfers so far have been small, and in many cases have had the effect of merely shifting costs from parent companies to subsidiaries. The state's guiding hand is still so strong in the private sector that companies are unlikely to do more without a government push. There are no signs of this.

State assistance

On credit, the banking industry has made great progress in writ*ing off the bad loans* exposed by the recession and in letting hopeless cases die naturally. But bad debts are still building up faster than write-offs.

Here, the US experience in dealing with its savings and loans crisis shows the way. The weakest banks need state assistance, in the form of cheap credit at the official discount rate from the Bank of Japan. Encouragingly, this idea yesterday won the support of the Japan Renewal party, which sets the tone for the ruling coalition's economic policy.

On top of this, the government *should make it practical for banks* to securitise bad loans. The Bank of Japan has dropped its former caution on securitisation and even the conservative finance ministry is now studying the idea. The government is also, sensibly, less keen than was the LDP on using public savings to support the stock market and hence banks' capital ratios. So there is hope for progress on credit.

Politically, however, the signs are far from re-assuring. The coalition is limping into the new year in such a divided and fragile state that it looks incapable of delivering firm policy. Dithering over the economy has already cost Mr Hosokawa 10 percentage points in the public opinion ratings, but at 60 per cent, he still has a strong mandate. It would be a pity if it took a deeper crisis to provoke action.

Europe's new monetary forum

At a season associated with the arrival of wise men, the establishment of a new institution to supervise European monetary arrangements might be heralded as a sign of hope. The European Monetary Institute is being formally set up on January 1 as part of the European Union's so-called "second stage" of progress towards economic and monetary union. By concentrating on a few necessary tasks, firmly defined by governments and central banks, the EMI can improve the prospects for successful monetary integration.

Conceived as an embryonic European central bank, the institute will have to lower its sights from the ideas that inspired its creation. An important priority will be to improve co-ordination within the present European Monetary System, which is a long way from carrying out its original and still badly needed function of providing a stable exchange rate environment for European business.

In view of the EMS disturbances since autumn 1992, along with other setbacks to the Maastricht timetable for a single currency, the gestation period for the new monetary body has been highly problematic. Because of delays in deciding to place the institute in Germany, the EMI will not even be able to move to a permanent home in Frankfurt before the summer.

In 1988-89, when plans for setting up the institute were first laid, the European Commission, backed by the French and Italian governments, wanted it to carry out some fully-fledged central banking operations. This idea has been watered down, above all because of opposition from the German Bundesbank. Monetary decision-making will remain the preserve of the EMI's 12 member central banks. French-backed proposals for the EMI to help manage currency reserves look unlikely to get off the ground.

Harmonisation drive

The task of Mr Alexandre Lamfalussy, the EMI's designated president, will thus be to assemble a staff of statisticians and economists, rather than to wield power.

This does not mean that the EMI will not have a job to do. First, it will have to accomplish detailed technical work to prepare for the harmonisation of monetary statistics and money market instruments that forms an essential precondition for Emu. If the harmonisation drive leads to an increase in efficiency of different countries' monetary systems, then the benefits would extend beyond making Emu more viable.

Second, the EMI can provide a forum for general debate on European monetary matters. Mr Lamfalussy sees the need to uphold the consensus on the desirability of Emu, but he also has the experience and independence to speak plainly about the hurdles that lie in its path. He will be helped in his task of nurturing public understanding of Europe's unhealthily secretive central banking system, if the EMI is required to publish detailed minutes of its monthly meetings of central bank governors.

Vital arbiter

Third, in a less high-profile role, the EMI president can function as an arbiter, providing advice and assistance to member countries. The misunderstandings and mismanagement evident during the monetary system flare-ups in September 1992 and July-August 1993 could have been lessened had an intermediary been on hand to adjudicate between countries pursuing different monetary priorities, or even to ensure that rival positions were clearly communicated and understood.

After the upsets of the past 17 months, it seems still more likely than before that Emu, if it takes place at all, will be reached first by a relatively small group of countries willing to combine a lasting political commitment to Emu with a readiness to gear their monetary policies to Germany's. If monetary convergence stops *short* of Emu, the task of managing that process will require expertise and sensitivity of the highest order.

Creating a new institute will not, by itself, solve Europe's monetary problems. But if it can successfully combine the roles of trouble-shooter and think-tank, *the EMI will have a good chance* of bringing Europe closer to objectives that individual central banks are incapable of fulfilling. It is a welcome addition to the institutional landscape of the European Union.

After a year of Washington battles and media intrusion, has Bill Clinton learnt the ropes as US president, asks **Jurek Martin**

He must have got something right

Thirty years ago, in John Kennedy's time, about *three-quarters of the* American public had an underlying faith in their national government to get things broadly right. Today that proportion is barely more than one-fifth.

Cynicism has even grown over the past year. When Bill Clinton became the 42nd president of the United States, over 70 per cent were confident that he could bring about at least some of his promised "change" to the governance of the country. After one of the busiest and most legislatively successful first years in two generations of presidents, only a little over half could say they had seen "change".

If public opinion was all that mattered – and it does matter a lot to a president with sensitive populist antennae – then Mr Clinton would, at best, be enjoying a mixed Christmas. His own ratings have been rising again on the back of an improving economy and big victories in Congress such as on Nafta, but are still modest enough by historical standards. Just when it seems the country is becoming more comfortable with him, he is dogged by stories, many of them old, wild and politically motivated, that his private and financial life has been less than pristine. The convenient silence that masked what presidents Roosevelt and Kennedy did in their spare time has been replaced by an inquisitive public cacophony.

For the record, these charges, by state troopers and old political enemies in Arkansas, are that sexual liaisons were arranged for him while he was governor, and possibly afterwards; that his wife, Hillary, *had an affair with Vincent Foster,* her Little Rock law partner and later White House legal counsel who committed suicide last summer; that a real estate investment in the mid-1980s by the Clintons in partnership with the former chief executive of a now defunct Arkansas savings and loan institution may have involved the improper diversion of funds for political purposes, of which Mr Foster may have been aware. The Clintons have denied all the allegations.

In part Mr Clinton is the victim of circumstances beyond his considerable abilities to control. Having used *the proliferating new media* well to get elected, he is now the invariable target of an ubiquitous punditocracy making instant judgments on everything that moves. It is simply no longer possible for a president to command the heights of network television and establishment newspapers, as Ronald Reagan could a decade ago, now that news and opinion flash instantly across a mélange of cable stations, computer screens and talk shows.

Political Washington has also refused to go down on bended knee to a president demanding that it end gridlock. Party discipline has ceased to mean much, unless the Republicans coalesce to resist tax increases or dig in over gun control. On the deficit-cutting budget act and Nafta, defeat for either of which would have been disastrous for his presidency, Mr Clinton won the support of only 27 out of 53 Democratic *senators and 78 of 258* Democratic members of the House.

With the Democrats often unwilling to act like a "presidential" party, each legislative battle has to be approached anew to put together a perennially shifting, but winning, coalition. How healthcare fares next year is anyone's guess as mid-term elections approach. Many Democrats, aware that they have lost the six biggest state and mayoral elections since Mr Clinton won in November last year, consider too close an association with him a political liability.

In these circumstances, it is a minor miracle that he has achieved so much. As he reflected in one of many year-end interviews, "my biggest surprise in a negative sense – one I shouldn't have been surprised by – is that there really is a Washington culture that needs to be changed but has to be dealt with if you want to get anything done".

In that dealing, however, Mr Clinton and his team have not always been adept. They got off to a bad start when two women, Zoe Baird and Kimba Wood, were disqualified from serving as attorney general because of "nannygate" problems (indeed, the pace of appointments to senior government positions remains disappointingly slow, with the White House to blame as much as Congress). Redeeming a campaign promise to force the military to end its ban on homosexuals proved a protracted distraction. *There was a badly handled scandal* in the White House travel office. The Republicans sandbagged the $17bn mini-stimulus package and the economy took time to pick up. Bosnia, Haiti and Somalia all brought foreign policy grief. Relations between the White House and a critical media reached a nadir.

Three factors lay behind the mid-summer turnround. David Gergen, denizen of past Republican administrations, was recruited as chief spin doctor, at which he is an artist, with George Stephanopoulos moved to his proper place as a policy adviser. *Ruth Bader Ginsburg* proved to be a popular choice to fill Mr Clinton's first vacancy on the Supreme Court (the first Democratic appointee in 26 years). And, after a strenuous and bitter debate, the budget act prevailed – by precisely one vote in the House.

The budget victory proved particularly important because it demonstrated that Mr Clinton, suspected of being a softie, could exert political muscle. Some earlier successes *in Congress (such as the family* leave bill guaranteeing employment rights) were long in the legislative pipeline, blocked only by President George Bush's vetoes. But the next battle, Nafta, was one in which it appeared that Mr Clinton, off to a late start, might lose. Not only did he win with some ease in the end, but his trade negotiators delivered a generally applauded Uruguay Round agreement.

Clinton has some difficulty differentiating between the merely interesting and the truly important

Capping the year, the Brady bill was passed after seven years of failure under Republican administrations, with the promise of more gun control proposals next year. More than that, he responded to public angst over the crime wave with a series of hardheaded speeches, one to the Reverend Martin Luther King's old church in Memphis, on the need for individuals to assume responsibility for the safety of their own communities.

But even this record leaves Washington and the wider public wondering if the president and his administration have learnt the ropes. This brings to mind a prescient comment last year by James Carville, his campaign manager. Mr Clinton, he said, "is a man blessed - or cursed - with the ability to make connections" in policy terms.

Being smart and curious he compartmentalises very little, though even some friends think he has some difficulty differentiating between the merely interesting (because everything is interesting) *and the truly important. One small* indication was his FT interview in July when he digressed at length on the contrasts in structural unemployment between France, Germany and Japan – not the US. He knew his stuff but your correspondent was accustomed to hearing such detailed views from an assistant secretary of state or the Treasury – not from a man with as much on his plate as the president.

Thus his administration has come to resemble not a Reagan or Bush pyramid, when only the most important subjects ever reached the *presidential desk, but a wheel in* which all spokes point to the Oval Office. As a result of this, combined with his insistence on collegiality, few of his cabinet can be said really to have emerged as forces in their own right. Bruce Babbitt at interior and Henry Cisneros at housing have, as did Janet Reno, the attor*ney general, after the Waco debacle* but before the sophisticated Washington scalpels were turned in the direction of this plain-speaking daughter of a Florida alligator wrestler. Even a conspicuously effective Treasury operates very much as part of the team and its secretary, Lloyd Bentsen, is said to be contemplating retirement within a year.

No part of his government has taken more of a public pummelling than the foreign policy team, which is a problem for a president who came to office with a keen intellectual interest in external affairs but needing experienced guidance through the thicket. Mr Clinton had deliberately emphasised his domestic priorities by breaking with tradition a year ago in naming first his economic and social policy cabinet, and its first departure proved to be Les Aspin, the secretary of defence, *because he had lost his president's* confidence. Mr Clinton only left the country on an extended trip once this year – pegged to a Group of Seven summit in Tokyo that required his attendance.

The main complaint is the lack of a conceptual framework and coherent strategies for grappling with the complex post-cold war world. Some criticisms may not be entirely fair; none of the trilogy of Bosnia, Somalia and Haiti is exactly central to US national interests and all were inherited and intractable problems. Warren Christopher, the secretary of state, may be no visionary – as yesterday's appointment of Mr Strobe Talbott as his new deputy implicitly recognises – but he thinks his way through issues and his caution means the US is unlikely to rush into some quagmire from which it extricates itself only with great pain.

Still, initial pledges of a new mul*tilateralism* have proved an on-again off-again experience, with growing distrust of the United Nations apparatus. Relations with western Europe, rocked over Bosnia, could be improved. Constancy has been displayed in putting economic security on the front burner of foreign policy, in backing Middle East peace negotiations and in supporting reform in Russia, though that confidence has now been dented by this month's elections. Mr Clinton has at least five big foreign trips on his new year itinerary, four to Europe, one to Asia with diversions, for example, to the Middle East, always possible, but this may only mean even more spokes of the administration wheel pointing to his overcrowded desk.

Yet, the ups and downs of the first year notwithstanding, there has been a sense of exhilaration and innovation in Washington unlike *any other western capital, even if* their impact is still not measurable on Gallup's Richter scale. And most of them flow from the president and, in important social policy respects, from his wife. His first year might not be entirely as he would have wished but, as a start, it was, on balance, impressive. A senior member of the Bush administration has taken to warning that Mr Clinton might get re-elected in 1996. Clearly he must be doing something right.

Risky business of a high-tech future

Andrew Fisher on products to watch out for in '94

So rapid is the pace of tech*nological change that one* year's runaway success could well be the following year's flop – or vice versa. As companies strive to ensure their high-tech products turn out to be hits rather than embarrassments, they have to take considerable risks. The danger is of consumers holding back from buying products until they are well established – compact discs, for instance, took six years to take off. Some of the following products to watch in 1994 may not become popular overnight, but they should point the way to the future.

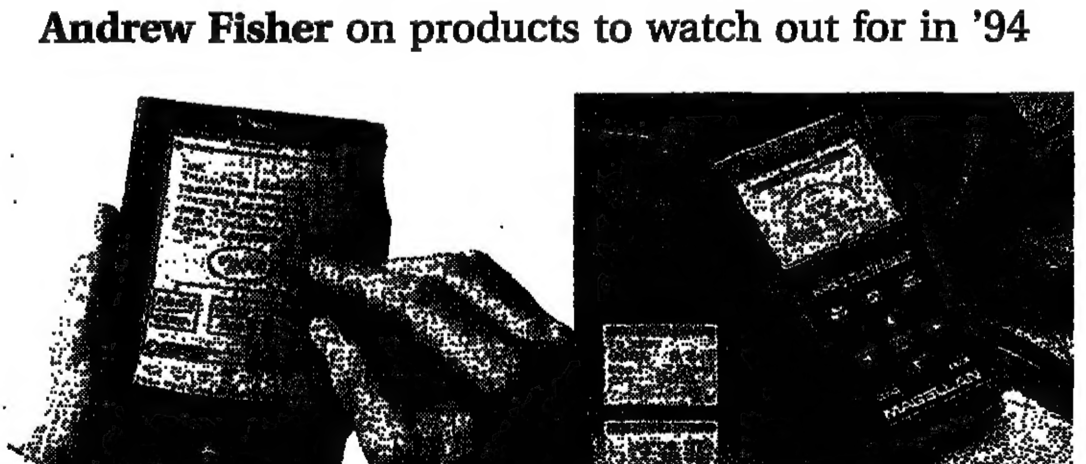
● Apple Computer's Newton *received plenty of brickbats* when launched last year, mainly because it appeared shaky at recognising users' handwriting. But sales of the pen-based message pad computers have been rising.

Other manufacturers have also brought out single products combining the functions of a diary, per*sonal organiser*, games player and information provider. Though the Newton is not cheap, at $699 in the US (£645 in the UK), and the extra software applications lighten the purse further – new features will include the Fortune 500 top business guide and the UK's Good Food Guide – the market has definitely been created.

● You have heard of virtual reality, but how about virtual acoustics or even virtual instruments? The new offering from Japan's Yamaha will be keyboards designed to mimic the way wind, string and other instruments play rather than using stored sounds.

*The software simulates the vibra*tions and resonances of real instruments. Using a keyboard, musicians will be able to produce the sounds of a clarinet, saxophone or electric guitar; they will also be able to manipulate the sounds, creating, for example, a hybrid based on woodwind, brass, strings and electric guitar. The keyboard will cost about £4,000, making it a product for the professionals.

● In the office, the trend is towards all-in-one machines. Oki had a hit in 1993 with DOC.IT, a combined fax, printer, copier and document scanner. Now another Japanese


New wave: Apple Computer's Newton pen-based message pad and Magellan's hand-held electronic navigator

company, Ricoh, *is introducing its* IFS (intelligent *facsimile system*), which also communicates with personal computers.

Developed with Microsoft, the US software company, the IFS is operated with a touch-screen panel. Text and graphics files can be sent between personal computers *through the IFS, which has built-in* security features.

● Tomorrow's telephones will be far cleverer than those used today. The phones on Mercury's One-2-One mobile network in the UK contain an array of electronic circuitry that enables users to record messages and check their current charges.

Made by Motorola of the US and Germany's Siemens and costing £250, the One-2-One phones, which comprise about 70 electronic components, are operated with simple press buttons. Each One-2-One phone has a smart card with a chip for users' personal numbers, billing *details and a personal phone direc*tory; it also enables them to use other compatible phones.

● Consumers are not rushing to buy digital compact cassettes (DCC) and players, but Philips of the Netherlands and Matsushita of Japan remain confident that the products will win a place in the *audio market*.

Pre-Christmas sales of DCCs and their players were tiny. But Philips is pinning its hopes on portable and in-car systems where the market is bigger than for home units.

● Most parents may despair at their children's appetite for video games, the market for which is *growing inexorably. Games such as* Acclaim's Mortal Kombat are played by millions of teenagers.

Mortal Kombat, says 13-year-old Californian teenager Erick Arnold, was "the biggest 'gimme' for kids aged between nine and 13 at Christmas". Why do they want this grue*some game? "Because it's cool."* Many parents hate it, however. Nintendo has left the horrific bits out of its version while Sega requires the user to punch in a special code to access the most violent images.

● The CD is becoming the all-purpose information carrier, reproducing music and voice and storing *computer data. It is a prime compo*nent of the growing family of multi-media products.

Philips has invested heavily in its interactive compact disc (CD-I), a multi-media system combining digital sound, pictures and text. A simple connection to a television enables video games and full-motion digital videos to be played on the TV, as well as music CDs. At £550, the full CD-I player, combining voice, pictures and music in a single higher-quality home entertainment system, is good value.

● Some people have trouble taking still pictures, let alone moving ones. So makers of camcorders vie with each *other to make their products* smaller, quicker and simpler to use. Sharp's ViewCam has a tiny screen instead of a viewfinder, so the user can see what is being filmed even if it is being held up to shoot over crowds. The UK price ranges from £899 to £1,399.

● There is no excuse for getting lost any more. The use of satellites to pinpoint location at sea is common. Now, with falling prices and improving software, so-called "global positioning devices" are being targeted at those who enjoy hill walking and hiking, yachting, mountain biking or hunting – any pursuit where knowledge of location and direction is needed.

US companies Magellan and Garmin are among those concentrating on this growing consumer market. Magellan's simplified hand-held electronic navigators with graphic display screens cost about £440; its *Meridian model is designed for* use on yachts and power boats and the Trailblazer for land.

● When news of US approval for Betaseron, the multiple sclerosis drug, came through last summer, shares of Schering, which developed the drug, shot up. Made for the German company by California-based *Chiron, the drug does not cure MS*, which weakens the nervous system, but is the first effective treatment for the disease. The main problem for Schering is whether Betaseron can be made fast enough to meet demand; US approval came more quickly than expected.

● For those keen on exercise, but *not on jogging, cross-country ski* machines for the home may be the answer.

NordicTrack of the US sells its products by mail order in Europe; Lillywhites, the London sports store, has started selling a machine made by Precor, also of the US. With adjustable stride and tension, it enables the user to exercise in a way which is "easy on the joints and muscles". For those wanting an element of "enhanced motivation", set speeds can be programmed. Jogging in the open is cheaper, though. Precor's machine costs £699.

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Twin goals of budget and reform 'have been completed'

Ciampi ready to stand down as Italian PM

By Robert Graham in Rome

Mr Carlo Azeglio Ciampi, Italy's prime minister, said yesterday he was ready to leave office, having completed his government's mandate. The 73-year-old former governor of the Bank of Italy also told a news conference he would not stand in forthcoming general elections.

Mr Ciampi's comments accord with promises made in May when he agreed to be Italy's first non-elected premier this century. Then, he said his two essential tasks were to obtain approval for an austerity budget for 1994 and to complete the process of electoral reform. Both were achieved just before Christmas.

However, Mr Ciampi was careful yesterday to point out that the decision on the dissolution of parliament was out of his hands. "This executive has no authority to decide whether or not the current legislature should be prolonged .... This is in the hands of the head of state, having consulted with the heads of the senate and chamber of deputies."

The timing of his departure has been complicated by intense backstage political manoeuvring in the past few days. It had been expected that President Oscar Luigi Scalfaro would announce the dissolution of parliament in his end-of-year address, fixing general elections for March.

That timetable had now been undermined by Mr Marco Panella, the Radical leader, who just before Christmas managed to persuade many of the Christian Democrat-led majority in parliament to sign a motion of no confidence. It was sufficient for Mr Scalfaro to postpone any statement and arrange for a week-long parliamentary debate beginning on January 12.

The aim of the no-confidence motion was to prolong the life of parliament as long as possible, perhaps as late as June, with a new government installed to replace Mr Ciampi. That would give more time for the disintegrating Christian Democrats and other groupings to form a viable alliance to oppose the electoral prospects of a coalition dominated by the former communist party of the Democratic Left.

Mr Scalfaro is said to oppose such a solution and the debate may not be a formal no-confidence motion if a number of Christian Democrats can be persuaded to withdraw their support. Nevertheless, Mr Ciampi in his closing days has been placed in an awkward position in relation to the parties that have notionally been backing his administration.


Ciampi: says dissolution of parliament is out of his hands Associated Press

Banesto on brink of collapse

Continued from Page 1

raised Banesto's equity levels well beyond ratios demanded by Spanish and European authorities.

The first sign that something may have gone amiss again at Banesto was its failure to proceed with a $400m bond issue in the autumn but even last week both Mr Conde and Mr Mendoza were insisting the bonds would be sold next year.

Banesto had already announced it would not pay a dividend for this year and that it intended transferring any profits to reserves. The Banesto group reported losses of Pta5.7bn ($41.60m) for the first nine months of 1993.

Analysts say the bank's loans, victims of Spain's recession, have been performing increasingly badly this year and its credit ratings have twice been downgraded by leading rating agencies.

Mr Conde's removal will undoubtedly have an impact on Spanish politics as he has always been viewed by the Socialist government as a conservative opponent. Rival bankers also regarded him as an interloper and rumours of his imminent demise have swirled around Madrid almost from the moment he became chairman in 1988.

Phantom existence awaits forerunner of EU bank

European Monetary Institute to be homeless for six months

By David Marsh, European Editor, in London

The European Monetary Institute, expected to be established on January 1 to supervise the move towards economic and monetary union, will lead a phantom existence for the first six months of its life.

The EMI, forerunner of a European central bank, will be based in Frankfurt. But its shareholders – national central banks from European Union countries – will take at least until the end of next month to decide where to house the institute.

The provisional nature of the EMI's initial running arrangements symbolises the faltering progress towards Emu after the emergency widening of fluctuation bands forced by the summer currency crisis.

Governors of the 12 central banks will hold a formal inaugural meeting of the EMI on January 11 in the rebuilt 15th-century Frankfurt city hall. At least until the summer, though, the EMI will be run from Basle, headquarters of the Bank for International Settlements and the site of the present 34-strong secretariat of the committee of European central bank governors.

That means that Mr Andrew Crockett, who takes over as BIS general manager on January 1, will "cohabit" for several months in Basle with Mr Alexandre Lamfalussy, the EMI's president-designate, and the BIS's current general manager.

Mr Crockett, at present the Bank of England's international director, was selected in the autumn to succeed Mr Lamfalussy.

The EMI is looking for an office that will hold no more than 150 to 250 people. A larger site capable of housing a fully-fledged central bank has been ruled out.

The idea of moving into the old pre-war headquarters in Frankfurt of the IG Farben chemicals conglomerate was ruled out several months ago. That reflected both the extravagant size of the building – used since 1945 by the US army – and the negative political connotations stemming from IG Farben's wartime Nazi links.

Although no budget for the EMI's first-year costs has been drawn up, central banks are expected to face a "nasty surprise" on the high cost of refurbishment, according to one well-informed official. The chosen office must be equipped to hold three simultaneous meetings of European central bankers.

The EMI is expected to employ between 130 and 150 staff by the end of 1994, many of whom will be seconded from central banks. Most will be economists and statisticians as well as administrative staff.

The EMI will pool information about European financial developments, help to harmonise monetary statistics and instruments, and host regular meetings of European central bankers.

During the so-called stage two of the move to Emu, which begins on January 1, monetary decision-making will remain in the hands of national central banks. Joint decisions on monetary policy will not be made until the irrevocable fixing of exchange rates under stage three of Emu. According to the Maastricht treaty, that is due to take place between 1997 and 1999.

The EMI will take over some technical arrangements for running the European Monetary System now handled by the BIS.

There are no plans for the EMI to invest part of EMS member countries' foreign exchange reserves on financial markets.

Editorial Comment, Page 9

THE LEX COLUMN

Pensions under pressure

The mis-selling of UK personal pensions uncovered in the final months of the year will doubtless reverberate through 1994, especially for companies found guilty of malpractice. But the shape of retirement provision in the UK is being decided elsewhere. The regulatory reforms proposed by the Goode Committee, which delivered its report in October, have been accepted by government and are now in the consultation process. Last month Mr Kenneth Clarke, the chancellor, promised a review of taxation of savings which will presumably include pension funds. In the New Year, the Accounting Standards Board plans to review the way companies account for pension costs.

Better prudential regulation, a more rational tax regime and greater consistency in accounting are all worthy objectives. But there are pitfalls along the way. The greatest danger is that reforms will, in aggregate, discourage companies from setting up defined-benefit occupational pension schemes.

With contributions on a rising trend, companies already have a reason to consider money-purchase schemes instead. There can be no surplus or contribution holiday under such an arrangement, but the investment risk lies with scheme members. Once companies are making full contributions, making the transition would involve no additional cost. If reform is seen to increase the long-term risks of running defined-benefit schemes, the incentive to switch would be great.

Any drift to money-purchase schemes would have implications for financial markets too, since such funds generally pursue more risk-averse investment strategies. In the long run, pension funds would probably hold more gilts and fewer equities.

Solvency

The Goode Committee's proposals for a minimum solvency standard could have the widest implications of all. A system of prudential regulation clearly needs to ensure that pension funds are adequately funded, but solvency is a slippery concept. The Goode approach is meant to ensure that funds always have sufficient assets to provide members with the benefits they have accrued.

Calculating the current value of future benefits – the so-called cash equivalent – can be tackled several ways. Using gilt yields as a benchmark is common among actuaries calculating the value of benefits accrued by individuals transfering between schemes. Using this approach as the basis for an industry-wide solvency test, though, could create problems.

With liabilities linked to gilts for solvency purposes and assets held in equities, many funds would face a mismatch. A bear market in equities combined with falling gilt yields – as happened in 1974 – could result in a sudden erosion of solvency. As a preventive measure, funds invested heavily in equities would come under pressure to switch more of their assets into gilts. If that resulted in lower returns, pensioners would suffer.

The actuarial profession is trying to square the circle. A method of valuing cash equivalents in relation to equities may provide a partial solution. But striking a balance between the need to maximise investment returns and the overriding requirement for prudence will not be easy.

Company reaction

For companies, what steps they are required to take if the solvency threshold is breached is also important. The Goode proposal that companies should have three months to make amends, if the fund falls below 90 per cent solvency, looks harsh. Companies could find themselves facing a sudden and unexpected liability. The strain on corporate cash flow could be intense, especially for companies with a large pension scheme in relation to their current business. Faced with that risk, companies might prefer the comfort of a money-purchase scheme instead.

The solvency debate underlines that valuing pension funds is an inexact science. Since pension surpluses make up a large proportion of earnings for some companies, that is of concern for the equity market too. The current accounting standard for pension costs allows companies a great deal of latitude in choosing what assumptions are used when valuing the pension fund. The Accounting Standards Board is therefore right to press for greater consistency.

The ASB faces the same dilemma as the Goode Committee. Prudence demands that pension costs should not be understated. But rules that are too tight might drive companies away from final salary schemes altogether.

Valuing pension liabilities anually with reference annuity rates – the cost of buying deferred annuities from insurance companies – is the method favoured by many accountants. That would provide a common benchmark between companies. Since annuity rates rise and fall with gilt yields, and depend on the willingness of insurance companies to sell such policies, a more volatile pension charge could also result. In periods of very low bond yields – 1994 looks like being a good example – companies would also face much higher pension costs than are currently being charged.

Tax treatment

Against this background, any tinkering with the tax treatment of pension funds would come at a delicate moment. By lowering funds' tax credit on dividends in March, the government reduced surpluses and increased companies' pension costs. The Treasury resisted the temptation to come back for more in the November budget, but that may only be a stay of execution. It would be strange if the review of taxation of savings to be carried out by Mr Stephen Dorrell, financial secretary to the Treasury, did not scrutinise pension funds at all.

Combined with the demands of a new solvency test and a rigorous accounting standard, tougher tax treatment could give companies just another reason for turning away from defined-benefit schemes. There is little sign of such a move as yet. Membership of occupational schemes has been in decline for some years, but companies are waiting for the shape of reform to become clear before deciding what kind of pension risks they are prepared to shoulder. The unfolding personal pensions scandal may draw attention to the attractions of occupational final-salary schemes. If companies are unwilling to shoulder their share of the risks, though, employees will have little choice.

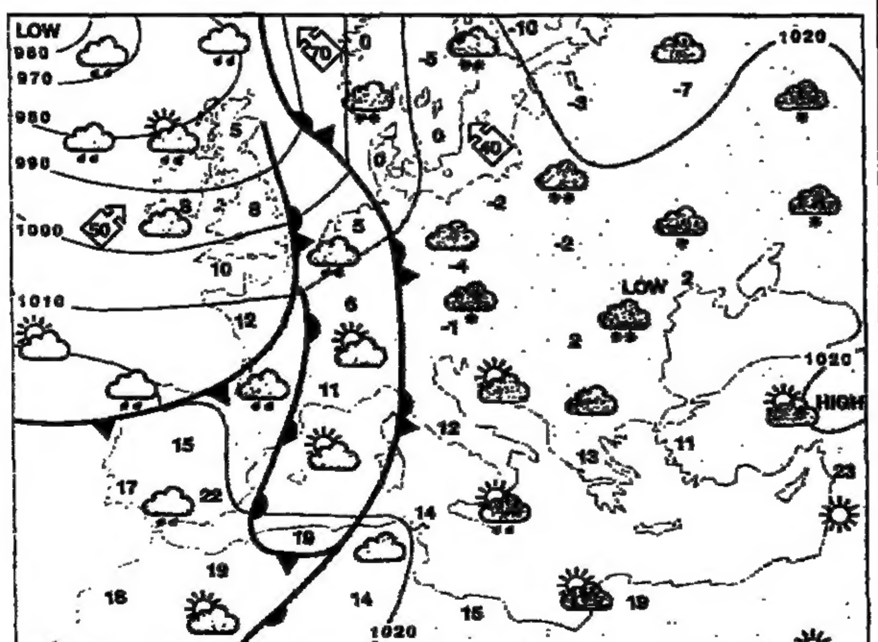
FT WEATHER GUIDE

Europe today

Milder air will move slowly from the North Sea towards Scandinavia. Snow will fall over southern Scandinavia and in eastern Germany, but the Benelux and much of France will be rainy with rising temperatures. Very cold conditions will continue over northern Scandinavia. Alpine winter sport resorts will be mainly dry with freezing levels rising to approximately 2000 metres in the western Alps. Some snow will fall later in the French Alps and Austria may have light snow early in the day. The British Isles will have numerous showers with hail and sleet in the north. South-westerly winds will increase to near gale force on the west coast of Ireland.

Five-day forecast

Most of Europe will be unsettled. Frost in northern Scandinavia will moderate. The Alps will have new snow, especially on Thursday and Saturday, but freezing levels will stay at 1500-2000 metres. Gale force winds are expected on Friday across the northern part of the North Sea and the British Isles as a deepening depression moves in from the west.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius							
Abu Dhabi	sun	26	Belfast	hail	5	Cardiff	shower	9
Accra	fair	32	Belgrade	fair	1	Chicago	cloudy	-5
Algiers	fair	19	Berlin	cloudy	-1	Cologne	rain	6
Amsterdam	rain	6	Bermuda	fair	21	D' Salaam	fair	30
Athens	shower	15	Bogota	fair	19	Dakar	fair	27
B Aires	cloudy	23	Bombay	fair	31	Dallas	fair	8
B.ham	shower	8	Brussels	rain	7	Delhi	fair	23
Bangkok	fair	30	Budapest	cloudy	-1	Dubai	fair	26
Barcelona	fair	15	C.hagen	sleet	1	Dublin	shower	7
Beijing	cloudy	8	Cairo	sun	20	Dubrovnik	fair	11
			Cape Town	sun	23	Edinburgh	shower	5
			Caracas	fair	28	Faro	fair	19

Frankfurt	cloudy	4	Malta	shower	15	Rio	sun	30
Geneva	fair	-1	Manchester	shower	8	Riyadh	sun	24
Gibraltar	fair	19	Manila	fair	27	Rome	fair	12
Glasgow	hail	4	Melbourne	rain	13	S. Frsco	fair	14
Hamburg	sleet	0	Mexico City	shower	20	Seoul	sun	7
Helsinki	fair	-5	Miami	fair	27	Singapore	shower	29
Hong Kong	fair	21	Milan	fair	4	Stockholm	fair	2
Honolulu	fair	27	Montreal	fair	-17	Strasbourg	rain	4
Istanbul	shower	11	Moscow	fair	-7	Sydney	fair	26
Jersey	shower	10	Munich	cloudy	3	Tangier	cloudy	17
Karachi	fair	27	Nairobi	fair	25	Tel Aviv	sun	20
Kuwait	fair	24	Naples	fair	12	Tokyo	fair	11
L. Angeles	fair	21	Nassau	fair	27	Toronto	fair	-4
Las Palmas	sun	21	New York	fair	-1	Tunis	fair	14
Lima	fair	25	Nice	fair	11	Vancouver	rain	7
Lisbon	shower	18	Nicosia	fair	17	Venice	fair	5
London	fair	10	Oslo	snow	-4	Vienna	cloudy	-2
Lux.bourg	rain	5	Paris	rain	8	Warsaw	cloudy	-2
Lyon	cloudy	0	Perth	fair	28	Washington	snow	-2
Madeira	fair	19	Prague	fair	-4	Wellington	cloudy	17
Madrid	shower	15	Rangoon	fair	31	Winnipeg	sun	-24
Majorca	sun	17	Reykjavik	sleet	3	Zurich	fair	3

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday December 29 1993

IN BRIEF

UK flotations reach five-year high at 165

Activity in the UK new issues market in 1993 reached a five-year high with 165 flotations, according to KPMG Corporate Finance. The 165 total falls some 22 short of the level reached in 1988, which itself saw slightly fewer than in the previous two years. However, this year's flotations have raised the largest amount of new capital at £5.1bn ($7.6bn) since KPMG's records began in 1984. KPMG, which worked on 33 flotations in 1993, said 70 companies floated in 1992. Its figures exclude privatisations.

Jam from jams
Peek, a British company specialising in traffic control systems, hopes to clean up in Asia: the horrendous traffic problems offer great opportunities. Peek bills itself as the world's leading manufacturer of traffic controllers, the boxes which sit by traffic lights and control the signals. The big prize so far has been a £6.5m contract won earlier this year to supply and install traffic controllers at 143 junctions throughout Bangkok.
Page 12

Hafnia sells UK insurer
Hafnia, the Danish insurance company, has sold its last UK operating subsidiary to a management team led by the company's existing managing director. Economic Insurance now plans to seek a London listing within the next two to three years.
Page 12

John Lusty shares suspended
Shares of John Lusty Group, the loss-making UK food importer, were suspended at 6½p on December 23 pending shareholders' approval of restructuring proposals.
Page 12

Christmas cheer at Centregold
Centregold, the UK publisher and distributor of video games and computer software, has set a new trend in Christmas share dealings by disclosing a gift transaction between its chief executive and managing director.
Page 12

Arthur Andersen is the biggest
Arthur Andersen has become the world's largest accountancy firm by fee income, according the International Accounting Bulletin.
Page 13

Mitsubishi groups form chemicals giant
Two Japanese chemical companies that belong to the Mitsubishi group plan to merge their operations in a move that will create the largest chemical company in Japan.
Page 13

Bonanza for bondholders
For most investors, 1993 was the year of the European bond bonanza, with fixed-income markets fuelled by falling interest rates, slowing inflation and faltering economies. Next year is likely to bring more of the same. Connor Middleman and Patrick Harverson find lingering optimism for next year, although 1993 may be remembered in the US bond market more for the jitters that sent prices reeling in the final 10 weeks of the year, than for the proceeding 9½-month rally that pushed long-term interest rates to the lowest levels in a generation.
Page 14

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Metallg'llschaft	291	+	13.2
Falls			
AG Ind & Verk	558.5	−	9.5
Berliner Bank	537	−	15
Conti AG	268	−	[illegible]
Hertie	415	−	9
Schering	1105	−	27.5

NEW YORK ($)

Rises			
Chrysler	54⅞	+	1
Intel	64¼	+	1½
Motorola	92⅞	+	1⅛
Texas Instrmnt	83¾	+	1
Falls			
QVC Network	37¾	−	1¼
Union Carbide	22⅞	−	¼

PARIS (FFr)

Rises			
Bongrain	3200	+	165
Havas	447.7	+	10.9
Intertechnique	469	+	18.9
Taittinger	[illegible]	+	179
UFB Locabail	400	+	15
Falls			
Schneider	450	−	17.9

TOKYO (Yen)

Rises			
Hitachi Zosen	498	+	26
Koyo Seiko	629	+	29
Minolta Camera	416	+	[illegible]
M'bishi Plastics	[illegible]	+	22
Showa Denko	264	+	18
Falls			
Daishowa Paper	900	−	45

New York prices at 12:30.

LONDON (Pence)

Rises			
Airtours	485	+	8
Brigend	25	+	2
Brit Mohair	183	+	7
Britannic	433	+	13
Caskel	53	+	5
Church	395	+	7
Essex Furniture	228	+	8
HSBC	910	+	19
Heath (C.E.)	413	+	23
Kitty Little	43	+	5
Lloyds Bank	658	+	14
MFI	165	+	3½
Nobo	214	+	10
Oceana Cons.	165	+	7
Vodafone	582½	+	10½
Falls			
Amsco	119	−	3
BICC	393	−	10
Fenner	112	−	7

London prices based on 24/12/93

GM suffers 17% profit fall in UK

By Kevin Done,
Motor Industry Correspondent

Vauxhall, the UK subsidiary of General Motors, has suffered a fall in pre-tax profits of about 17 per cent this year but has remained the most profitable carmaker in Britain.

Pre-tax profit is understood to have fallen to about £185m ($275m) in 1993 from £223.7m. Its share of the UK car market reached a record of about 17 per cent in 1993, but production has fallen 19 per cent due to a drop in exports to depressed continental European markets. Ford's share has been eroded to 22 per cent.

Vauxhall's two British assembly plants have worked at 82 per cent of capacity this year, and the workforce has been cut by about 8 per cent to 9,900 to cut costs.

Vauxhall's operating profit declined more heavily than the fall in pre-tax profit with a fall of about a third. Pre-tax performance in 1992 was depressed by a one-off charge of £28.8m for the write-down of its stake in Cilva Holdings, the holding company for Avis Europe, the car rental group.

Vauxhall has remained strongly in profit throughout recession in the UK car market in contrast to Ford and Rover, its two biggest rivals, which both fell into loss. Rover, a subsidiary of British Aerospace, returned to profit in the second half.

GM's strong performance in the UK has been reinforced by IBC Vehicles, its 60-40 joint venture with Isuzu of Japan, which produces the Vauxhall/Opel Frontera four-wheel-drive leisure/utility vehicle. IBC Vehicles quadrupled net profits to about £20m and production increased to a record of close to 50,000 from 20,932 in 1991, when it incurred a loss of £28m.

GM's performance in the UK contrasts with its fortunes in other European markets. Opel, its German subsidiary, warned earlier this year it expected a full-year loss.

Production of cars and car-derived vans at Vauxhall's Ellesmere Port and Luton assembly plants has fallen by 19 per cent to 244,500 from the record of 301,800 in 1992. Luton was forced to halt production for a total of nearly 13 weeks.

Exports dropped 59.3 per cent to 45,398 and accounted for only 19 per cent of output against 37 per cent a year ago.

In the UK, it increased sales by 13.5 per cent to 302,000 in a market that has grown by about 11 per cent.

Judy Dempsey finds that retailing in eastern Germany has overtaken the west

An explosion on the edge of town

No matter from which direction you drive into eastern Germany's main cities, the landscape is unforgettable. It is not just the amount of work being carried out on the infrastructure, but also the extraordinary expansion of giant shopping centres, built on greenfield sites since unification.

The explosion is understandable. Before 1989, retailing in eastern Germany was underdeveloped in choice and size – there were 0.3 square metres of retail outlets per person in eastern Germany, compared with west Germany's 1-1.2 sq m.

The sector was monopolised by the Konsumgenossenschaft co-operatives which consisted of department stores, supermarkets and small outlets; and the Handelsorganisation, the state-run retail sector. After unification, both chains were broken up. Parts were sold, others were forced into liquidation as west German retailers rushed in.

Eastern German consumers went on a spending spree. By 1993 the east had caught up with the west in terms of outlets. It had 2.6 shopping centres per million inhabitants, compared with 1.8 in western Germany.

But the authorities in eastern Germany's main cities are beginning to question the benefits. Mr Ralph Kausch, of the Leipzig's branch of the Chamber of Industry and Commerce, has no doubt who the losers are: "The cities". A struggle is taking place between the local councils, on whose land the shopping centres are based, and the city governments, who want to win back consumers.

"The shopping centres are chiselling away at the small retailers in the city," says Mr Kausch. Compared with western Germany, where about 30 per cent of the large department stores/shopping centres are located in the inner cities, only 20 per cent are in eastern Germany.

"More importantly", continues Mr Kausch, "we are losing out financially because we are not receiving tax from the turnover of the large stores." He reckons Leipzig is being deprived of tax on an annual DM900m ($530m) turnover.

It is a different story for the local councils, who receive the turnover tax. For example, the small council of Günthersdorf, west of Leipzig, where the 100,000 sq m Saale Park shopping complex is located, is expecting the park to record a turnover of DM850m by 1995. Günthersdorf has a population of 650.

But why have cities such as Leipzig, Dresden and Berlin been unable to attract the retailers into their centres and can they reverse the trend?

Retailers have stayed away because of exorbitant land prices and contested property rights, whereas out of town they have found available land, investment grants and no green lobbies or awkward planning regulations. Ms Irena Krause, a senior official at Leipzig's planning department, says that after the Berlin Wall came down, "there was no clear definition of property rights in the cities. But title was uncomplicated in the countryside. Land was snapped up, often very cheaply, maybe for DM3m a square metre. The local councils wanted to be part of the boom. They pushed through planning permission and got new roads in return."

Tony Andrews
Goods piled high in the centre of Dresden: one of the cities threatened by out-of-town development

Mr Stefan Brendgen from Jones Lang Wootton, the UK property consultants, says retailers seeking land in the heart of east Berlin would have had to pay DM20,000-DM30,000 a sq m in 1992, the boom period.

Because of these circumstances, Mr Cy Schluter, a retail analyst at CSFB in Frankfurt, believes that the retailing environment in the east is more advanced than in the west, where development has been hindered. "The large retailers could see the advantages of opening up in eastern Germany and seized them."

But can the large shopping centres in eastern Germany continue to reap the benefits from an explosion in consumer spending? Next year Hornbach, the large home improvement department store, expects its four outlets in eastern Germany to account for a quarter of its total turnover, which last year exceeded DM750m, largely because more people are renovating their homes and the housing stock will soon be privatised.

Other branches, however, may be vulnerable – the food industry for instance. "They face the most competition. Supermarkets are badly located. They are not near the centre," says Hornbach.

The large retailers also face the prospect of a decline in consumer spending and lower purchasing power – incomes in eastern Germany are on average about 30 per cent lower than western German levels. The Cologne Institute for Economic Forecasting reckons that after annual average growth in private consumption of about 3.5 per cent between 1990 and 1992, the rate of growth has slowed to about 1 per cent this year and will be lower next year.

The decline should still be less steep than in western Germany. But, as Mr Kausch says, "it's hard to make any firm conclusions". In eastern Germany retailing "is still a moving target. But it is time the inner cities responded to these vast shopping complexes by making the centres more attractive to the consumer. That will take time. I hope we are not too late."

Ford to dispatch executives to Mazda

By Michiyo Nakamoto in Tokyo

Mazda, the troubled Japanese carmaker, will accept three senior executives from Ford, the US carmaker which is its largest shareholder, in a move aimed at ensuring its long-term survival.

Ford has agreed to send three full-time executives, including a senior vice president, to Mazda. The appointments, will increase the number of Ford executives at Mazda from one to four and the total number of seats Ford has on Mazda's 42-member board from four to seven.

Mr Yoshihiro Wada, Mazda president, said the move, to be formally approved at a Mazda shareholders meeting in June, aimed to extend co-operation between the two companies in areas such as product development and efficient use of global facilities.

However, the appointment of high-level executives from Ford highlights the difficulties Mazda faces amid economic slowdown in Japan and overcapacity in other world markets and is a clear sign of the company's concern about its future.

The Ford appointments were announced alongside a big revamp of top management at Mazda, with five board members retiring and Mr Wada himself assuming responsibility for domestic marketing and sales.

The move ties in with recognition within Mazda that as markets, including Japan, have become saturated, carmakers must co-operate to survive in world markets.

Mazda is suffering from the twin burdens of an underutilised state-of-the-art manufacturing plant, in which it invested heavily, and a large distribution network for which it needs to supply a wide range of models.

It expects to post a Y32bn ($300m) pre-tax loss for the year to March 1994 and is restructuring to try to restore profitability.

Meanwhile, ambitions to set up a manufacturing facility in Europe were quashed when a plan to use Ford's manufacturing facility there fell apart earlier this year.

While no plans have been announced on how the two companies could co-operate further, Mazda said it hoped independent tie-ups with Ford, such as Mazda's production of Ford Festivas in Japan and Ford's manufacturing of the Navaho for Mazda in the US, could be developed into more long-term global arrangements.

Steinhardt bids $250m to control America West

By Patrick Harverson
in New York

Mr Michael Steinhardt, the New York money manager, has offered to pay $250m to gain control of America West Airlines, the struggling Phoenix-based carrier which has been in Chapter 11 bankruptcy protection for the past two and a half years.

The investment, which will give Mr Steinhardt 80 per cent of America West, should be enough to allow the airline to emerge from bankruptcy procedure. Other investors, however, may make rival offers before February 10, the deadline set by a Phoenix court for the company to accept bids or propose a separate plan of its own to leave Chapter 11.

This is not the first time Mr Steinhardt, who runs Steinhardt Management, a hedge fund with more than $3bn in assets, has expressed an interest in owning an airline. In 1989, he was reported to have considered taking over USAir after building up a 9 per cent stake in the carrier, although no bid transpired.

His offer for America West fits into his policy of investing in troubled or bankrupt companies which he believes can be turned around. In recent years he has put money into the computer group Wang and the consumer products company Sunbeam-Oster. Steinhardt Management also speculates heavily in foreign financial markets, including currencies, and in the US equities market, often through short-selling stocks.

Mr Steinhardt's bid for majority control of America West followed the withdrawal of a $150m bid from an investment group led by the Pritzker family of Chicago and the investment bank Wertheim Schroder. The Pritzker-Wertheim bid was said to have been pulled because the group could not reach an agreement with America West's chairman, Mr William Franke. The Steinhardt bid is believed to be supported by Mr Franke.

Mr Steinhardt has followed in the footsteps of the Pritzker family before. Earlier this year the Pritzkers abandoned their attempt to acquire the bankrupt financial services group Integrated Resources, leaving the field open to the money manager's rival bid.

America West has attracted interest from bidders because of its earnings performance. In the first three quarters of 1993 it reported profits of $26.8m.

Wellcome Trust steers clear of rapid disposal of shares

By Maggie Urry in London

Wellcome Trust, the medical research charity, will retain its near 40 per cent in the Wellcome pharmaceutical group for the time being. The news could lift one of the clouds which has overhung the drug company's shares.

When the Trust cut its stake in Wellcome in July 1992, from 73.6 to 40 per cent through a sale of 270m shares at 800p each, it undertook not to sell any more until January 1 1994. It has permission to reduce its holding to 25 per cent.

Mr Roger Gibbs, Trust chairman, is careful not to put a time on when it might sell more. He points out that when Wellcome was floated in 1986 the Trust undertook not to sell more shares for two years, but did not dispose of any for six years.

The timing of the sale has turned out to be inspired. The Wellcome share has fallen sharply – along with other drug companies – following the election of the Clinton administration in the US and concerns about cuts in healthcare spending.

Wellcome's share price has dropped from the 800p at which the Trust sold to 651p, while the UK equity market has risen by more than 1000 points. The FT-SE index, at 2348.0 on the day of the sale, has climbed to 3412.3.

The sale, which raised a net £2.18bn ($3.24bn), and the reinvestment of the money, mainly in other UK equities, has enabled its portfolio to grow. Had it not sold the shares, its portfolio would now be worth around £4.5bn rather than its present valuation of £5.7bn.

Before the sale, the Trust's stake in Wellcome provided 95 per cent of its income. At the time Wellcome shares had a low yield and the Trust was keen to boost its income to provide more funds for research. Now its holding in Wellcome makes up just under 40 per cent of the portfolio and the income has risen from £91m in 1991 to an expected £215m in 1994.

Mr Gibbs says that in 1993 the portfolio has done slightly better than the average measured by the WM performance tables. A drag on the portfolio was the decision to put £500m into an index fund. Mr Gibbs defends the move saying that as a charity, the Trust had to demonstrate prudence in its investments.

Eight fund managers were appointed to manage the money from January 1993 for an initial three years. So far Mr Gibbs is happy with their performance, although the Trust's charitable status will oblige it to re-examine the managers at the end of the three-year term before re-appointing them.

One of the choices of managers, Newton Investment Management, was seen at the time as surprising. It has a reputation as an aggressive investor in equities and is thought to have done well with the Trust's money.

The Trust's portfolio is now 64 per cent invested in UK equities, 22 per cent in international shares, 2 per cent in property, 3 per cent in index-linked and 9 per cent in other gilt-edged stocks and cash.

Jams today mean jam tomorrow for Peek

Kieran Cooke looks at the rapid Asian expansion of an £89m a year traffic management business

Anthony Gould enjoys traffic jams. He wallows in them in Kuala Lumpur and in Jakarta.

He goes looking for them in China. In Bangkok, he sits back and lets the traffic envelop him.

Mr Gould is head of the Asian operations of Peek, a British company specialising in traffic control systems.

Asia has some horrendous traffic problems: Mr Gould and Peek see great opportunities in offering solutions.

"In 1992 only 3 per cent of our turnover was in Asia" says Mr Gould. "Within three years we aim to have up to 40 per cent of our revenues generated in this region."

Peek started life 20 years ago as an investment holding company. Since a capital reconstruction in 1986 it has specialised in various types of road traffic equipment and management systems.

Peek now bills itself as the world's leading manufacturer of traffic controllers, the boxes which sit by traffic lights and control the signals.

In recent years Peek has acquired the traffic control operations of Philips in the Netherlands, and Ferranti traffic information systems. Other businesses have been acquired in the Nordic countries, Germany and the US.

Turnover has risen from £14.7m in 1987 to £88.8m last year. Pre tax profits last year were £7.1m.

Now, with business slow elsewhere, the focus is on the fast developing countries of Asia.

The big prize so far has been a £6.5m contract won earlier this year to supply and install traffic controllers at 143 junctions throughout Bangkok.

The controllers will form an integrated network, with more than 2,000 detectors or sensors relaying information on traffic build-up at the junctions to a central computer – a system aimed at reducing jams in a city which is among the most traffic-clogged in the world.

Similar systems are in operation in 40 British towns and cities, including central London.

"Bangkok and other Asian cities are now realising that traffic congestion is a serious impediment to further growth" says Mr Gould.

"We don't offer all the solutions but at least we can be a big help."

Peek is negotiating to install similar systems in Jakarta, the Indonesian capital, and the nearby city of Bandung.

Business is promising in Malaysia.

In Singapore, Peek earlier this year took a 49 per cent stake in the local Kee Eng Chin Electrical company, which installs and maintains traffic equipment throughout the island republic.

Like many companies, Peek is looking to China for a great leap forward in its business.

"The scale of the road building programme in China is staggering" says Mr Gould.

"Over the next five years China plans to build more than 100,000km of highway. And these plans are not just on the drawing board. Many of them are already being put into action."

At the beginning of the year, Peek took a 45 per cent stake in a largely state controlled engineering company in Sichuan province in southern China.

The joint venture has been concentrating its sales efforts on Hainan, the Chinese island south of Hong Kong which has long been a favourite holiday destination among Chinese but is now designated as a special economic zone.

The local economy on Hainan has been growing at more than 20 per cent each year – and high economic growth rates have brought traffic problems.

Peek recently signed a £3m contract to supply and install traffic management systems in Haikou, Hainan's biggest city. Another £7m worth of business is likely to grow out of the project.

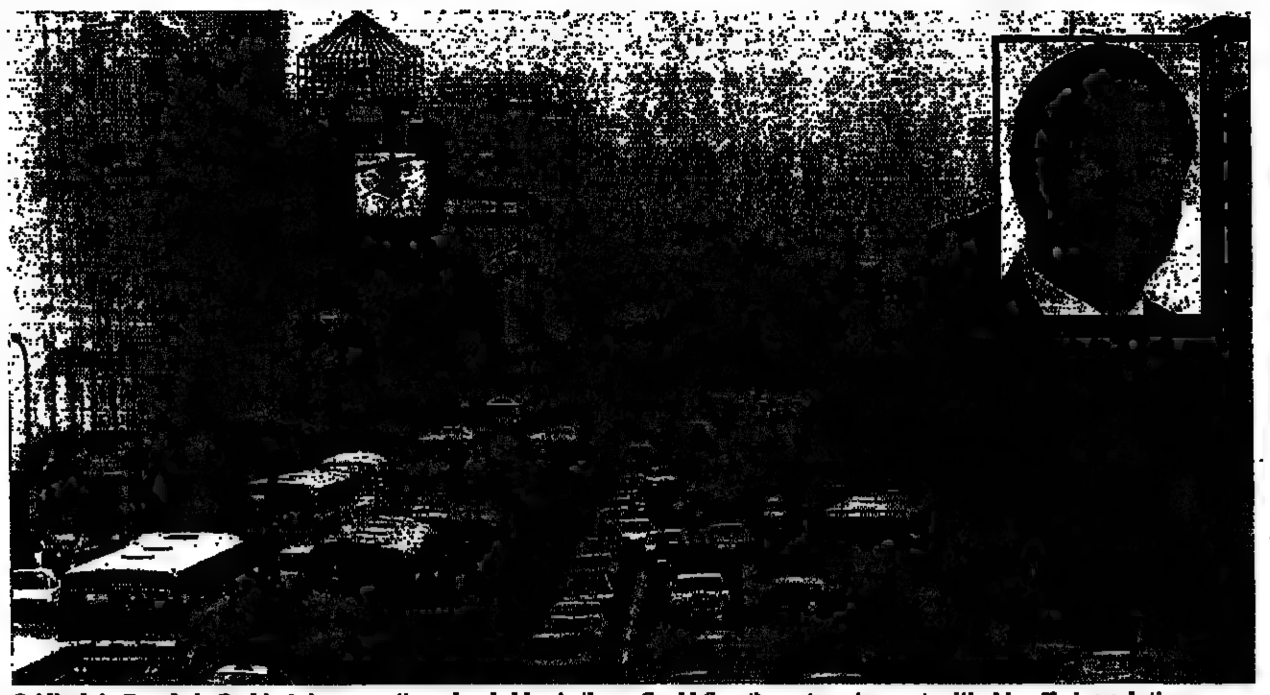
"The contract took nine months to negotiate and involved us taking local officials to Britain and showing them how the systems work there," says Mr Gould.

"Officials from all over China go to Hainan for conferences or for holidays - it's a great shop window for us."

Traffic control is a very competitive business and others are intent on grabbing a slice of the Asian market. Siemens of Germany, GEC of Britain and Philips in Australia are Peek's main business rivals.

Mr Gould spends his time in traffic jams watching the lights and calculating business possibilities.

"We could be doing nearly £100m of business in China alone within three years" he says. "It will mean a big investment in terms of marketing and technology transfer. But the rewards make the effort very worthwhile."



Gridlock in Bangkok: Peek's Asian operations, headed by Anthony Gould (inset), see 'great opportunities' in offering solutions

Centregold share gift transaction

By Tim Burt

Centregold, the publisher and distributor of video games and computer software, has set a new trend in Christmas share dealings by disclosing a gift transaction between its chief executive and managing director.

Shortly after the stock market closed on Christmas Eve the Birmingham-based company announced that Mr Geoff Brown, the former mathematics teacher who floated the company in October, was giving 200,000 shares to Mr Martyn Savage, the managing director.

The gift, worth about £330,000 at Friday's closing price of 165p, reduces Mr Brown's holding to 13.9m shares – representing 25 per cent of the capital.

Mr Savage said he would be retaining the shares, which took his holding to 3.6 per cent.

"It was a personal gift reflecting Mr Brown's view that I deserved more than I got out of the company. We were the driving force behind the flotation," he said.

The gift, supplementing Mr Savage's £90,000 basic annual salary and performance-related bonuses, was a one-off gesture, he added.

Since the flotation Centregold shares have jumped sharply from the issue price of 125p. The company's performance has been boosted by strong demand in the run up to the holiday period.

Mr Savage said earnings next year would be boosted by new products and revenue from exclusive video game rights for the Winter Olympics and the World Cup.

Economic Insurance sold to management for £11.5m

By Catherine Milton

Hafnia, the Danish insurance company, has sold its last UK operating subsidiary to a management team led by the company's existing managing director for £11.5m.

Economic Insurance, which provides "innovative and specialised 'own label' insurance products" for leading brokers as well as marketing policies under its own name, plans to seek a London listing within the next two to three years.

The buy-out, backed by Candover Investments with Causeway Capital, is the latest in a series of disposals since Hafnia suspended payments to creditors in August.

Investors have provided an additional £1.5m working capital for Economic.

Economic came to the market in April 1993 when the sale of Hafnia's insurance and financial services operation to a company in which Sun Alliance has the dominant stake left it as an independent operating unit.

Economic said Sun Alliance opted against including Economic in its own stable because of a lossmaking mortgage guarantee business from which Economic has since been extricated.

Mr Peter Cullum, 43, who is leading the MBO team, persuaded Hafnia to agree to the buy-out in June after several "opportunistic" bids had been received.

Mr Cullum, who joined Economic as managing director in 1991 with a brief to turn around the lossmaking company, said pre-tax profits in the year to December 1993 would be more than £4m on a gross premium income of £40m. Losses in the previous year totalled £5.5m.

John Lusty restructure

Shares of John Lusty Group, the lossmaking food importer, were suspended at 6½p on December 23 pending shareholders' approval of restructuring proposals.

The USM-traded group is paying a maximum £3.64m for Trustin-Kerwood, an importer of speciality foods.

The consideration, dependent on Trustin achieving pre-tax profits of £435,000 in the nine months to end-December, will involve the issue of up to 60.7m new shares, representing 60.96 per cent of the enlarged share capital.

Trustin, based in Bury St Edmunds, reported profits of £182,000 pre-tax for the 12 months to March 31 1993, on turnover of £8.43m.

Following completion, Mr Geoff Wilson and Mr Derek Wilson will join the board as joint chief executives. Lord Charles Cecil, chairman of Trustin, will be appointed non-executive chairman.

Mr David Hamp-Adams, the current chairman, will remain on the board in a non-executive role.

Dealings in the enlarged group are expected to resume on January 25.

NEWS DIGEST

Radiant Metal dips into red

Despite an increase in turnover from £513,000 to £540,000, Radiant Metal Finishing, which specialises in electroplating and dealing in residential property, slipped from a pre-tax profit of £1,000 to a deficit of £24,000 for the half year ended August 31.

The company turned in losses of 1.79p per share (earnings of 0.09p), and "in the light of the depressed economic climate" is deferring any decision on the payment of a dividend until the full year results are known.

Fenner disposal talks terminated

Discussions over the sale of Fenner's power transmission division have been terminated.

The industrial products company originally announced that talks were taking place with a potential purchaser when it launched a £17m rights issue in September.

Mr Colin Cooke, chairman, said the group would now "devote its full attention to running the business and implementing the programme to improve its profitability which was outlined at the time of the rights issue."

VSEL disappointed over Beverley sale

Directors of VSEL, the Cumbrian-based builder of Trident submarines, said they were "disappointed" and were "reviewing their position" following the decision by Beverley Group to sell its Gall Thomson (Marine) subsidiary to Villiers, the USM-traded company formerly known as Caspen Oil.

Last week Beverley said it had rescinded a previous agreement to sell the offshoot to Sealand Industries, a subsidiary of VSEL. Beverley would be contributing £40,000 to Sealand's costs.

Development Secs open offer take-up

Valid applications for the 4-for-5 open offer by Development Securities to raise about £29.3m have been received in respect of 45.39m new shares, or 48.4 per cent of the issue.

The remaining 48.3m shares (51.6 per cent) are to be taken up in accordance with the placing arrangements.

Lloyds Chemists £1.1m purchase

Lloyds Chemists has paid £1.1m cash for Trident Pharmaceuticals, a wholesaler operating in the south of England and South Wales.

For the year to December 31 1992 Trident achieved turnover of £8.8m. Tangible assets acquired amount to about £800,000.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.1
1986	106.5	100.9	6.9	98.0	107.0
1987	108.4	106.0	6.1	105.5	106.4
1988	112.6	110.7	5.4	106.1	112.6
1989	115.6	112.4	5.2	99.3	110.9
1990	116.5	112.4	5.4	84.6	106.9
1991	114.2	110.3	6.7	62.2	112.2
1992	117.8	112.9	7.3	60.4	117.4
4th qtr.1992	5.9	3.2	7.2	61.8	117.4
1st qtr.1993	3.7	4.4	6.9	62.2	117.8
2nd qtr.1993	5.3	3.8	6.9	63.7	117.8
3rd qtr.1993	5.5	4.3	6.7	66.0	119.3
December 1992	6.5	4.0	7.2	62.3	117.4
January 1993	4.9	4.6	7.0	60.4	118.2
February	5.2	4.4	6.9	63.5	117.9
March	7.0	4.3	6.9	62.8	117.6
April	4.7	3.9	6.9	62.9	117.2
May	5.2	3.3	6.8	65.0	117.5
June	6.0	4.2	6.9	63.1	117.6
July	5.9	3.7	6.8	65.6	118.4
August	5.3	4.0	6.7	66.7	118.7
September	5.4	4.3	6.6	65.6	119.3
October		4.4	6.7	67.9	120.1
November		4.4	6.3	65.1	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	97.3
1986	106.5	99.7	2.8	94.3	106.1
1987	113.6	103.1	2.8	108.3	115.1
1988	122.6	112.9	2.5	135.9	122.2
1989	132.5	119.9	2.2	147.0	128.2
1990	141.6	125.5	2.1	149.6	122.9
1991	144.6	128.4	2.1	144.2	120.9
1992	139.9	120.6	2.2	114.5	120.6
4th qtr.1992	−5.5	−7.7	2.3	116.3	120.6
1st qtr.1993	−5.9	−5.1	2.3	115.5	120.8
2nd qtr.1993	−6.0	−4.3	2.4	106.2	125.3
3rd qtr.1993	−5.1	−3.8	2.5		127.9
December 1992	−7.7	−7.8	2.4	118.6	120.6
January 1993	−3.6	−7.6	2.3	109.9	121.3
February	−5.9	−5.8	2.3	113.0	122.2
March	−8.2	−2.0	2.3	123.6	123.8
April	−5.3	−4.1	2.3	109.6	125.2
May	−4.6	−4.2	2.5	102.6	125.4
June	−3.0	−4.6	2.5	109.4	125.3
July	−5.6	−4.5	2.5	100.6	125.4
August	−4.1	−2.6	2.5	103.3	126.2
September	−5.5	−4.4	2.6		127.9
October		−6.6			
November					

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.1
1986	103.4	102.2	6.4	136.4	105.0
1987	107.4	102.6	6.2	149.4	106.2
1988	110.5	106.3	6.2	164.8	112.3
1989	114.2	111.4	5.6	218.7	116.2
1990	123.5	117.2	4.8	261.1	115.9
1991	130.5	120.7	4.2	270.7	113.2
1992	128.2	119.1	4.6	260.2	107.0
4th qtr.1992	1.4	−4.6	4.9	233.1	107.0
1st qtr.1993	−4.5	−9.8	5.3	213.4	107.2
2nd qtr.1993	−3.5	−8.3	5.6	209.3	109.4
3rd qtr.1993	−2.3	−6.3	6.0	194.5	112.5
December 1992	5.2	−4.3	5.0	224.2	107.0
January 1993	−7.3	−9.1	5.2	216.7	106.6
February	−4.6	−11.8	5.3	212.6	106.7
March	−1.7	−8.5	5.5	210.2	107.2
April	−2.4	−9.0	5.6	211.5	107.7
May	−5.7	−8.2	5.6	208.5	108.3
June	−3.4	−7.6	5.7	206.8	109.4
July	−3.9	−7.8	5.9	203.5	110.3
August	−0.7	−5.5	6.0	195.3	111.7
September	−2.3	−5.7	6.1	184.6	112.5
October	−4.4	−3.8	6.2	173.8	113.3
November				172.2	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	102.7
1986	102.4	101.1	10.4	107.2	109.1
1987	104.5	103.1	10.5	117.7	108.6
1988	107.9	107.3	10.0	134.9	114.5
1989	109.5	111.3	9.4	151.1	114.2
1990	110.1	112.9	8.9	153.0	107.0
1991	109.7	113.2	9.5	127.7	106.2
1992	108.9	113.2	10.4	111.4	105.7
4th qtr.1992	−1.4	−2.2	10.7	101.6	105.7
1st qtr.1993	0.1	−3.7	11.0	96.6	103.7
2nd qtr.1993	1.1	−4.2	11.5	91.6	104.5
3rd qtr.1993	0.9	−3.3	11.7	86.0	105.7
December 1992	1.0	−4.8	10.9	98.0	105.7
January 1993	0.1	−5.4	10.9	97.1	104.9
February	−3.9	−2.6	11.0	96.6	104.5
March	4.3	−3.0	11.2	96.0	103.7
April	1.1	−5.1	11.4	95.0	104.4
May	−3.1	−3.6	11.5	89.1	104.5
June	5.3	−3.7	11.6	91.0	104.5
July	1.6	−3.1	11.7	89.9	104.3
August	−0.9	−3.4	11.7	90.4	104.6
September	2.1	−3.5	11.8	90.6	105.7
October	−1.8	−4.9	12.0	83.7	106.4
November					106.0

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	103.6
1986	106.8	104.1	10.4	110.7
1987	112.1	106.8	10.9	112.8
1988	108.0	114.2	10.9	117.8
1989	116.9	118.7	10.9	115.8
1990	114.3	118.0	10.3	111.9
1991	110.9	115.4	9.6	114.8
1992	116.6	113.6	9.6	111.3
4th qtr.1992	2.9	−3.8	8.9	111.3
1st qtr.1993	2.2	−4.3	9.0	114.1
2nd qtr.1993		−4.0	10.6	115.5
3rd qtr.1993		−1.2	10.5	118.4
December 1992	0.3	−4.4	n.a.	111.3
January 1993	11.1	−3.9	n.a.	111.8
February	−4.5	−4.3	n.a.	113.2
March	0.3	−4.7	n.a.	114.1
April	2.1	−3.6	n.a.	114.6
May	−9.9	−4.6	n.a.	115.1
June		−3.9	n.a.	115.5
July		−3.5	n.a.	116.5
August		0.4	n.a.	117.5
September		−0.7	n.a.	119.4
October			n.a.	120.3
November			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	101.8
1986	105.2	102.4	11.2	116.1	104.9
1987	110.7	106.5	10.3	141.2	109.0
1988	117.8	111.6	8.6	144.3	107.1
1989	120.1	114.0	7.2	124.7	104.6
1990	121.1	113.7	6.8	98.1	102.3
1991	119.6	109.2	8.7	68.6	105.9
1992	120.5	108.7	9.9	70.0	111.0
4th qtr.1992	1.6	0.9	10.4	71.7	111.0
1st qtr.1993	3.3	1.6	10.5	73.7	114.6
2nd qtr.1993	5.0	2.9	10.2	74.3	114.8
3rd qtr.1993	5.6	2.8	10.3	77.5	116.3
1992 December	1.0	0.5	10.6	74.9	111.0
1993 January	3.0	1.6	10.7	73.1	112.8
February	2.9	2.0	10.5	73.2	113.9
March	4.0	1.6	10.4	74.8	114.6
April	2.7	1.3	10.3	75.0	114.9
May	2.4	4.6	10.2	75.1	114.9
June	3.9	3.0	10.2	72.7	114.8
July	4.4	3.7	10.3	77.5	114.9
August	3.6	2.7	10.3	77.7	115.6
September	3.6	2.1	10.2	77.3	116.3
October	3.4	1.6	10.0	81.6	117.0
November	4.0			85.8	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

INTERNATIONAL COMPANIES AND FINANCE

Banesto: walking on a razor's edge

By Peter Martin

It is rare for a bank to lose its entire board less than four months after raising nearly $700m from the international financial community.

It is rarer still for such an upset to happen to an institution publicly embraced by J.P. Morgan, the bank most *admired* by other bankers.

Yet that is what happened yesterday to Banesto, Spain's fourth-largest bank. Its board was replaced at the orders of the Bank of Spain, because, said the central bank, Banesto needed restructuring on a scale which required "the support of the entire banking system". If that implies serious, longstanding problems in Banesto's loan portfolio, it was a concern brushed aside by the investors who put up $670m for Banesto's rights issue this summer.

Individual Spanish investors pinned their faith to Mr Mario Conde, the bank's youthful chairman, who was demonstrating his faith in the bank he had run since 1987 with a personal purchase of shares worth Pta6.4bn ($47.4m).

Institutional investors round the world were comforted by the presence of J.P. Morgan as adviser to the bank and co-investor. *Banesto was the first* target of the $1.1bn Corsair fund, a portfolio set up by Morgan to invest in undervalued banks.

Corsair put $175m into Banesto. Though Morgan was providing only $17.5m of that, it was publicly setting the seal of respectability on the Spanish bank. "We must get it right because we are investing our reputation," *said* Mr Roberto Mendoza, a Morgan vice-chairman. "That is the biggest kind of risk we can take."

Mr Conde had no illusions about the value of Morgan's name. "Would there have been a capital issue without J.P. Morgan? The answer is no," he said. But the Morgan name was not enough to see the capital-raising plan through to completion. Last week, Banesto cancelled the final stage of its capital-raising exercise, a $400m convertible bond issue.

The cancellation was accompanied by the resignation from J.P. Morgan of Ms Violy de Harper, managing director of the US bank's corporate advisory arm, who masterminded the deal with the Corsair fund.

The following is an unofficial translation of a statement issued by the Bank of Spain:

Note to central banks and foreign supervisory authorities.

The Bank of Spain has agreed, as of today's date, the substitution of administrative organs of the Banco Espanol de Credito in accordance with the Third Title of Law 26/1988, July 29, on Discipline and Intervention by the Credit Bodies.

Consequently, by this accord, effective immediately, Banco Espanol de Credito's administrative council is wound up and the *Entity* (Banesto) remains under the supervision of the provisional new administrative body named by the Bank of Spain, and composed of the following persons:

Alfredo Saenz Abad, who will act as president; Ildefonso Ayala Garcia; Marcial Portela Alvarez; Epifanio Ridruejo Brieuva; Matias Rodriguez Inciarte.

The aforementioned *provisional* administrative body remains under the direct supervision of the Bank of Spain, through having been designated to exercise the public faculties that the law confers upon it.

Banesto's situation has forced the adoption of restructuring measures that could not be taken by the Entity in isolation by itself and which require, on the contrary, the support of the whole banking system, in its case of the Guarantee Fund for *Deposits in Banking Establishments*.

Those reasons have determined the composition of the new governing body, which will always act in the best and exclusive interest of the depositors and shareholders of Banesto. Its mission is to maintain the Entity's normal functioning, and to set up a restructuring programme in collaboration with the Bank of Spain, and, in particular, to ensure the stability and future of the entity, maintaining at all times the full confidence of the depositors and the financial markets.

In this way the Bank of Spain guarantees the liquidity of the institutions in local and foreign markets, adopting all measures necessary to that end. – Madrid, December 28 1993

In retrospect, Banesto has been walking on the razor's edge ever since Mr Conde's plan to sell shares in the bank's industrial empire, Corporacion Banesto, fell foul of the market slump that accompanied the Gulf war in 1990.

Banesto needed the capital to shore up its balance sheet. The sale would have met the regulator's new rule requiring Spanish banks hold down the proportion of industrial assets in their shareholders funds.

With the Corporacion Banesto sale postponed, Banesto was reduced to finding individual buyers for its industrial assets. These include stakes in Acerinox, Spain's leading stainless steel producer; Union Carburos, an industrial gases group; Tudor, Europe's third-ranked battery producer; Agroman, the big domestic building group and Asturiana de Zinc, a mining business.

With most of these businesses weakened by recession, successful sales have been hard to find, though shares in Acerinox were successfully placed last autumn.

Banesto solved its balance sheet weaknesses with this summer's rights issue. However, finding new capital has not been enough to satisfy the Bank of Spain. J.P. Morgan must now be hoping that Banesto's new management finds nothing that undermines its judgment earlier this year.

In the summer, Mr Mendoza summed up his perception of the chance Morgan was taking with Banesto. "My own sense is that this is very low risk, although you can argue as to how good the returns will be."

Cavalier who infuriated the establishment

Mr Mario Conde (above) is only 45, yet he has infuriated Spain's financial establishment more often than any septuagenarian, writes Our Financial Staff.

He bounded on to the financial stage in 1987 when he and a friend sold their bulk chemicals producer to Montedison for Pta65bn ($481m). With the proceeds they bought their way on to the Banesto board, and he became president within days.

He has enlarged the bank at a breakneck pace; become embroiled in a wrangle with *los Albertos*, two other youthful entrepreneurs, which ended in their public humiliation; helped Mr Rupert Murdoch stage a boardroom coup at a television station; provoked the hostility of BP; and been cited as a future conservative prime minister.

The son of a Galician *customs official, he studied law at* the Jesuit University of Duesto near Bilbao, achieving one of the three highest marks in national law exams.

He admits that when he took control at Banesto he did not tell shareholders how bad it was. If he had come clean, he said recently, "what would have been their reaction? They would have left the bank".

This cavalier approach to shareholders partly explains *Mr Conde's many enemies.* Just as important is his enthusiasm for busting Spanish banking's interest rate cartel. With his departure, the Spanish financial establishment will sleep more easily.

State near completion of Koor sell-off

By Julian Ozanne in Jerusalem

Israel's government is to sell its remaining shares in Koor Industries – Israel's largest trade and industrial conglomerate which is spearheading commercial links with Arab companies in the wake of the Israeli-Palestinian peace accord.

The move follows the announcement that Koor and Bank Leumi, Israel's second largest banking group, have signed separate deals with Morrocan companies to set up investment and banking companies in the first concrete signs of a thawing of Arab-Jewish commercial relations.

Koor said it was establishing a $60m joint venture company to make investments in the occupied territories with Moroccan and Palestinian partners. Bank Leumi said it had signed an agreement last week in Casablanca to set up a new *commercial bank to operate in* the Israeli-occupied West Bank and Gaza Strip, soon to come under Palestinian self-rule.

Together the projects mark an important breakthrough for Israel in developing trade and business ties with Arab partners after years when Israel was isolated by the Arab economic boycott which, although loosened recently, still remains in force.

The opening of trade ties with Morocco also follows indications that King Hassan is preparing to broaden his country's economic co-operation *with Israel in a package which* includes an air agreement between El Al and Royal Moroc; direct telephone and mail links; and the exchange of business delegations.

The government said next Thursday it would sell the last tranche of the 10.5 per cent of Koor's equity it acquired in 1989 as part of its role in saving the company from a financial crisis. The government has been selling off its stake over the past six months and now has only 1.9 per cent of the company to sell in an offering expected to fetch at *least $27m.*

The sale will boost Koor's plans to exploit new business opportunities in the Middle East and help increase annual sales which last year reached $2.65bn.

Two Japanese chemical groups to merge next year

By Michiyo Nakamoto in Tokyo

Two Japanese chemical companies that belong to the Mitsubishi group of companies plan to merge their operations and create Japan's largest chemical company.

Mitsubishi Petrochemical, the largest domestic petrochemical company in which Shell Petroleum has a 12.6 per cent stake and Shell Japan a 5.7 per cent stake, and Mitsubishi Kasei, the country's biggest all-round chemical manufacturer, plan to merge next October on an equal basis.

The new company, Mitsubishi Chemical, will have consolidated profits of more than Y1,000bn ($9.35bn) and a combined share of more than 15 per cent of the domestic ethylene market.

The decision, aimed at increasing international competitiveness, comes in the midst of one of the most difficult times for Japan's petrochemical sector and is expected to encourage further consolidation in the industry.

The country's chemical industry has not only suffered a prolonged business slump in the domestic market, but is also facing growing competition overseas.

Overcapacity has plagued the industry since the early 1980s and there have been rumours of consolidation for the past 10 years, according to Mr John Chanoki, analyst at James Capel.

After the first oil shock, the Ministry of International Trade and Industry encouraged companies to join forces in sales co-operatives that were able to control prices. Nevertheless, Japan's 14 chemical companies remained fiercely independent and have, until now, managed to avoid full-scale mergers.

Mitsubishi Petrochemical and Mitsubishi Kasei are expected to report pre-tax losses in the year to March, 1994. Furthermore, the increasing reluctance of the Japanese authorities to protect the chemical industry from outside competition makes their future look grim as well.

With the successful conclusion of the Uruguay Round of the Gatt, Japanese chemical makers will face tariff reductions on imported chemicals of, on average, more than 50 per cent in five years' time.

Against this background, Japanese chemical companies are being forced to accept the necessity of consolidation to create larger, more efficient and internationally competitive businesses.

Arthur Andersen heads world accountancy table

By Andrew Jack

Arthur Andersen has become the world's largest accountancy firm by fee income, according the International Accounting Bulletin.

The firm grew by 7.9 per cent to just over $6bn in the year to August, overtaking by $17m KPMG Peat Marwick, which has been the largest network since it was formed by the *merger of two firms* in 1987.

Just two of the largest 14 international firms and networks reported any declines: KPMG, which was down 1.6 per cent to $6bn in the year to September 30, and Coopers & Lybrand, down 2.4 per cent to $5.2bn in the year to September 30.

Andersen reported the largest growth, more than half of which came from Andersen Consulting, the computer consultancy provider.

It is the only true single worldwide firm, while the others are looser networks and affiliations of national firms.

Ernst & Young reported growth of 2.4 per cent to $5.8bn in the year to September, Deloitte Touche Tohmatsu rose 4.2 per cent to $5bn and Price Waterhouse 3.4 per cent to $3.9bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.17	18.40	18.40
0100	[illegible]	32.42	[illegible]
0130	[illegible]	32.42	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	18.25	18.25
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.17	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.13	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.17	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

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Focus shifts to Germany in thin trade

By Tracy Corrigan and Patrick Harverson

Most continental European bond markets drifted lower yesterday, but, with London closed and many continental European market participants on holiday, trading was extremely thin.

German bond prices dropped slightly, as dealers tried to hedge the new 30-year German government bond, of which DM3bn was allotted to the traditional bank consortium yesterday.

More 30-year bonds will be auctioned today. Dealers believe the total amount of 30-year bonds will be DM10bn. The Bundesbank is expected to hold back a portion of bonds for market operations.

Dealers said the terms of the bond,

GOVERNMENT BONDS

which matures on January 4, 2024, were in line with expectations. The coupon was set at 6.25 per cent and the price at 100.40. The bonds were quoted at 99.50 in the grey market, according to dealers.

"We don't expect to have any problems selling the paper, but it will go to foreign buyers, and they are not around at the moment," said one trader.

■ French bond prices edged lower at the long-end, in sympathy with the German market, but dealers said thin trading was confined to a 20 basis point range.

■ US bond prices eased slightly at the long end of the maturity range in quiet trading yesterday morning after news of strong consumer confidence data. The declines followed the moderate losses the market posted on Monday.

By noon, the benchmark 30-year government bond was down ⅛ at 100⅛ to yield 6.235 per cent. The two-year note was unchanged at 100$\frac{1}{32}$, yielding 4.184 per cent.

Although business was quiet with many participants away on holiday, there was some selling early on after the Conference Board announced that its index of consumer confidence rose to 80.2 in December, up from 71.9 in November.

Dealers said that the long end of the market would probably have fallen further but for the positive effect on sentiment of fresh declines in commodity prices, including another large drop in the oil price.

European bonds rallied strongly in 1993 while the US caught the jitters after a good start. However, Conner Middleman and Patrick Harverson found lingering optimism for 1994

Italian sector is expected to remain leader of the pack

For most investors, 1993 was the year of the European bond bonanza, with fixed-income markets fuelled by falling interest rates, slowing inflation and faltering economies. Next year is likely to bring more of the same as Europe's economies continue to limp along, monetary policies remain accommodating and fiscal tightening limits supply.

However, 1994 promises to be a more difficult year as the European bond rally loses steam in the second half and markets re-focus on political risk, budget deficits and economic recovery.

Moreover, the low yields prevailing in most markets will make double-digit performance next year hard to attain. Few markets still offer yields above 6 per cent and "besides the lower-running yield, this also means lower capital gains potential, and at the same time higher risks," says Mr Reiner Back, head of fixed-income strategy at DB Research in Frankfurt.

On a global comparison, last year's best-performing market was Italy, which rose 31.67 per cent in local currency terms, according to data compiled by JP Morgan. That was followed by Spain, up 30.93 per cent, and Denmark with a 21.24 per cent rise. The US and Japan provided the poorest returns, yielding 10.30 per cent and 13.36 per cent, respectively.

European bonds are expected to outperform other markets again next year, lifted by central banks' continued easing of interest rates. Ms Alison Cottrell, European economist at Midland Global Markets, expects European short-term rates to fall another 250 basis points on average by the end of 1994, with the German discount rate – currently at 5.75 per cent – reaching 4 per cent by the summer and 3.5 per cent by year-end.

That should put German bond yields, at historical lows in real terms, under further downward pressure from a weak economy, decelerating inflation and a tighter fiscal stance. The 10-year benchmark bund yield, at around 5.65 per cent, is widely expected to drop below 5.5 per cent, with some economists going as low as 5.2 per cent.

One risk factor in Germany is the country's election marathon, with 19 polls slated for the year. Given the weakness of the economy and soaring unemployment, political shocks caused by extreme voting patterns could be possible.

According to Ms Cottrell, the risk period for bunds is likely to be not so much the October federal elections as the period between the Lower Saxony regional elections on March 13 and the European elections on June 12. "A large protest vote may prove more unsettling for the markets than the October election," she notes.

French bonds should do well, although they may be prone to political jitters around the European parliament elections and in the run-up to the 1995 presidential elections. However, the country's low and falling inflation rate, torpid economy and record unemployment are expected to promote sharp rate cuts, helped by the continuing strength of the French franc.

The UK bond market put on a dazzling performance this year, posting an annual return of 20.88 per cent. Gilts rallied sharply after the November 30 budget, helped by favourable inflation developments which saw the retail price index fall to a 26-year low in November.

The low-inflation, slow-growth scenario is expected to underpin gilts early next year, bolstered by prospects for some more rate cuts by the Bank of England. Most observers expect at least another ½-point off the 5.5 per cent base rate, with an increasing number of analysts calling for 4 per cent base rates by year-end.

"The highest returns are likely during the first half of 1994 reflecting the positive combination of lower short-term rates and a continuing rally in overseas bond markets," predicts Mr David Walton, economist at Goldman Sachs. He expects the 10-year gilt yield to drop below 6 per cent in the next few months, from about 6.20 per cent at present.

However, he warns that some of these gains might evaporate in the second half, with the yield curve steepening as the international environment becomes less supportive and investors begin to worry about a rise in UK inflation.

Meanwhile, Europe's high-yielders remain everybody's favourite, with Italy expected to lead the pack.

"In this low-yield environment, the quest for good returns will push investors into the high-yielders which still offer potential for yield convergence towards the hard core," said Mr Back at DB Research. While Italy's national elections – likely to be held in spring – will keep the country's currency and bond market volatile, economic fundamentals and the prospect of further rate cuts will buoy Italian bonds, he says.

Ms Ros Lifton, European economist at Nomura Research Institute, expects the Italian bond market to outperform all others in the next six months and sees 10-year yields falling some 100 basis points by mid-1994 from the current 8.41 per cent.

Italy's fundamentals are promising, with inflation set to drop below 4 per cent and the fiscal outlook improving after the successful passage of the 1994 budget.

Spanish bond yields are expected to decline further, although they are likely to lag behind Italy. The minority socialist government is having trouble implementing labour market reforms, and with a general strike planned for January, the peseta is likely to be plagued by political tensions. Spanish fundamentals – rising inflation and an overshooting budget deficit – do not bode well for aggressive cuts in interest rates, which are needed to revive the economy and reduce record unemployment.

Meanwhile, a tighter policy stance by the US Federal Reserve is unlikely to have much impact on European bonds. "The dislocation of US and European business cycles suggests a fairly muted link between US and European yields," says Ms Cottrell.

Moreover, with worldwide economic activity expected to remain subdued and oil prices seen as remaining stable, commodities prices are unlikely to fuel inflation pressures.

CM

Inflation remains the primary factor

If short-term memory is stronger than long-term memory, 1993 in the US bond market may be remembered more for the jitters that sent prices reeling in the final 10 weeks of the year, than for the proceeding 9½-month rally that pushed long-term interest rates to the lowest levels in a generation.

This would be something of a shame, because for most of this year the bond market has enjoyed a remarkable run. In the first few days of 1993, long-term yields were trading close to 7.5 per cent. By mid-October, yields had plunged to 5.78 per cent, a record low in the modern era.

The primary forces behind the bond market's rally – a rally which helped spur stock prices to record highs in 1993 – were low inflation and an economic recovery that was weak compared to previous post-recessionary periods.

Worldwide disinflationary forces, including declining oil and other commodity prices and the gradual dismantling of various barriers to free trade, combined with vigorous price competition in the US retail and services sectors, kept inflation throughout the year in a range between 2.5 per cent and 3 per cent.

A stuttering economy, at least in the first half of the year, was also partly responsible for the lack of inflationary pressures.

In particular, concern about how President Clinton's first budget (which was designed to shrink the deficit by raising taxes and cutting federal spending) would affect the economy acted as a restraint on corporate and consumer spending.

The Federal Reserve's monetary policy was another factor pushing bond yields lower.

Although interest rates remained unchanged throughout 1993 – the prime rate and discount rate started and ended the year at 6 per cent and 3 per cent respectively – the lack of strong economic growth persuaded the Fed to keep policy on hold for the year.

Meanwhile, low short-term rates forced investors to switch billions of dollars out of bank certificates of deposit and money market funds, which were returning a meagre 2 per cent to 3 per cent, and into assets with higher yields. For conservative investors uncomfortable with the risk inherent in buying equities, bonds became the natural refuge.

Finally, technical considerations played a role in the rally, when the government reduced the number of bond auctions from four to three per year, and increased the size of short- and medium-term debt issues accordingly.

The move was designed to cut the cost of government financing by shortening the maturity of the federal debt. The result was a shortage of 30-year bonds, which served to drive prices higher in an already buoyant market.

However, the rally ran out of steam in mid-October. Within two weeks, the 30-year bond yield had jumped almost 50 basis points to more than 6.2 per cent. Another fortnight later, yields were flirting with 6.4 per cent, and the smell of panic was in the air. The spark for the sell-off was provided by stronger-than-expected economic reports.

Although the prices data in the final months of the year did not suggest inflation had revived along with the quickening pace of economic activity, investors were looking toward 1994, and a grim future of surging economic growth, rising prices, and a tightening of monetary policy. This is the gloomy scenario for the bond market.

However, not everyone paints such a bleak picture for next year.

While economic growth is expected to come in at over 4 per cent for the final quarter of 1993, some economists see a slowing down in growth in the first half of 1994 as the tax increases in President Clinton's first budget begin to take their toll on spending and investment.

The optimists expect inflation to remain subdued because of the structural disinflationary forces in the global economy. And they are confident that the Fed will not overreact to the late-1993 growth surge by pushing interest rates sharply higher in early 1994. The expected replacement in January of Mr Wayne Angell, an important Fed governor and the central bank's biggest inflation hawk, with the more accommodating and growth-oriented Ms Alice Rivlin, currently number two at the Office of Management and Budget, lends support to that view.

A quick glance at Wall Street's 1994 bond market forecasts finds that the optimists represent the majority. Consequently, the consensus among analysts is that bond prices will rally early next year, and by enough to push long-term yields down below 6 per cent once more. Further out in 1994, however, growth rates are expected to pick up, which could mean that the first half rally will be short-lived.

PH

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	122.5800	+0.260	6.65	6.75	6.80
Belgium		9.000	03/03	117.3800	+0.420	6.44	6.63	6.68
Canada *		7.500	12/03	106.6500	-	6.56	6.77	6.80
Denmark		8.000	05/03	112.8200	+0.450	6.16	6.24	6.44
France	BTAN	6.500	05/98	109.8900	+0.050	5.07	6.05	6.08
	OAT	8.750	10/03	108.0300	+0.470	5.72	5.78	6.08
Germany		6.000	09/03	102.6900	+0.220	5.63	5.73	5.89
Italy		9.000	10/03	103.8500	+0.180	8.41†	8.71	9.21
Japan	No 119	4.800	06/99	0.0000	-	0.00	2.46	2.93
	No 157	4.500	06/03	0.0000	-	0.00	3.16	3.57
Netherlands		6.500	04/03	106.2800	+0.300	5.61	5.72	5.84
Spain		10.500	10/03	116.0000	+0.450	8.07	8.35	8.59
UK Gilts		9.750	01/98	114-18	+8/32	5.84	5.82	6.10
		8.000	06/03	112-28	+12/32	6.16	6.25	6.69
		9.000	10/08	123-30	+18/32	6.46	6.60	7.02
US Treasury *		5.750	08/03	100-13	-1/32	5.69	5.81	5.66
		6.250	08/23	100-07	-8/32	6.23	6.30	6.15
ECU (French Govt)		6.000	04/03	113.9900	+0.540	5.99	6.14	6.34

London closing. *New York closing Dec 27. † Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Source: MMS International

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	130.60	130.52	-0.08	130.66	130.46	3,307	108,367
Jun	130.04	129.96	-0.08	130.06	129.98	2,129	55,142
Sep	129.26	123.18	-0.08	129.34	129.26	386	35,837

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
127	-	-	-	-	-	-
128	-	-	-	-	0.12	0.46
129	1.56	-	-	-	0.21	-
130	0.88	1.29	-	-	0.35	-
131	-	0.67	-	0.03	0.65	-
132	-	0.32	0.63	-	-	-

Est. vol. total, Calls 4,646 Puts 2,160. Previous day's open int., Calls 220,660 Puts 226,123.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.00	100.93	-0.05	101.09	100.91	7055	134063
Jun	100.98	100.86	-0.05	101.03	100.86	43	1168

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10050	0.89	1.29	0.46	0.86
10100	0.63	0.99	0.70	1.11
10150	0.41	0.76	0.98	1.40

Est. vol. total, Calls 2646 Puts 366. Previous day's open int., Calls 169272 Puts 169690

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.43	103.40	+0.04	103.43	103.39	25	11434

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118.60	117.89	-0.49	118.66	117.75	4799	60304
Jun		117.89	-0.49			0	166

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11700	2.01	2.99	1.52	2.80
11800	1.76	2.75	1.75	2.86
11850	1.49	2.51	2.00	3.12

Est. vol. total, Calls 0 Puts 545. Previous day's open int., Calls 58801 Puts 37378

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	104.65	104.77	-0.14	105.14	104.60	[illegible]	78,294
Jun	104.81	104.80	-0.01	104.82	104.81	600	7,494

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		120-18	+0-01			0	4281
Mar	119-25	119-22	-	119-28	119-22	3800	109039

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
119	1-42	2-08	0-62	2-10
120	1-07	1-43	1-27	2-45
121	0-46	1-18	2-02	3-20

Est. vol. total, Calls 22 Puts 408. Previous day's open int., Calls 78723 Puts 40078

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	121.70	121.60	-	121.70	121.60	83	12,061
Jun	98.00	98.00	-	98.00	98.00	2	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	116-01	116-01	-0.02	116-06	115-18	61,590	281,043
Jun	115-02	115-01	-0.01	115-03	114-18	1,230	12,1928
Sep	113-23	114-03	-0.13	114-03	113-20	143	16,561

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	117.69			117.74	117.67	492	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Fri Dec 24	Day's change %	Thu Dec 23	Accrued interest	xd adj. ytd		Low coupon yield Dec 24	Dec 23	Yr. ago	Medium coupon yield Dec 24	Dec 23	Yr. ago	High coupon yield Dec 24	Dec 23	Yr. ago
1 Up to 5 years (26)	130.08	+0.14	129.87	1.92	11.35	5 yrs	5.61	5.62	7.28	5.83	5.85	7.61	5.92	5.94	7.84
2 5-15 years (22)	163.22	+0.21	162.89	2.12	12.85	15 yrs	6.32	6.34	8.26	6.45	6.46	8.69	6.64	6.67	8.96
3 Over 15 years (8)	191.28	+0.22	190.86	3.02	11.38	20 yrs	6.49	6.48	8.51	6.49	6.50	8.86	6.66	6.68	9.06
4 Irredeemables (6)	228.96	+0.65	227.46	2.11	15.71	Irred.†	6.57	6.61	8.92						
5 All stocks (61)	157.86	+0.19	157.56	2.22	12.34										

Index-linked	Fri Dec 24	Day's change %	Thu Dec 23	Accrued interest	xd adj. ytd		Inflation 5% Dec 24	Dec 23	Yr. ago	Inflation 10% Dec 24	Dec 23	Yr. ago
6 Up to 5 years (2)	191.87	+0.04	191.80	1.19	4.38	Up to 5 yrs	2.01	1.98	2.88	1.16	1.11	1.71
7 Over 5 years (11)	182.49	+0.22	182.07	0.68	3.84	Over 5 yrs	2.91	2.91	3.66	2.78	2.73	3.77
8 All stocks (13)	181.49	+0.20	181.11	0.73	3.12							

Debentures and Loans	Fri Dec 24	Day's change %	Thu Dec 23	Accrued interest	xd adj. ytd	5 year yield Dec 24	Dec 23	Yr. ago	15 year yield Dec 24	Dec 23	Yr. ago	25 year yield Dec 24	Dec 23	Yr. ago
9 Debs & Loans (68)	132.14	+0.16	131.95	2.16	11.15	7.15	7.14	9.00	7.51	7.86	9.82	7.64	7.86	10.08

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Yr ago	High*	Low*
Govt. Secs. (UK)	107.19	107.02	106.85	106.86	107.16	94.07	107.19	93.28
Fixed Interest	131.46	131.27	131.14	131.18	131.15	108.45	131.46	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 131.46 (24/12/93), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Dec 23	Dec 22	Dec 21	Dec 20	Dec 17
Gilt Edged bargains	78.5	70.1	93.1	102.4	85.0
5-day average	95.5	99.3	98.5	98.4	94.7

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1993 High	1993 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	1993 High	1993 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

◆ "Tap" stock. ‡‡ Tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

هكذا من الأصل

It's been a mere three years since the history-making reunification of Germany. But the former East Germany is now well on the way to becoming one of the most potentially rewarding regions for international investors.

A compelling argument for this proposition is the ultramodern information and communications infrastructure which Deutsche Telekom has succeeded in creating in such a short time. It will cost a record-breaking investment of more than DM 60 billion, but the eastern part of Germany will soon possess the most advanced and sophisticated telecommunications network in the world. Just as we did in the previous West Germany, Deutsche Telekom is pioneering there the development of the universal ISDN network, international satellite communications, digital mobile systems and fibre optic cable access. In short, the so-called information highways still under leisurely consideration by other countries, are already up and running in the whole of Germany. So for international companies with an eye on a fruitful investment, all the opportunities offered by national and international communications are wide open: from telephone networks and fast data transmission to picture communications and the multimedia applications of tomorrow.

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COMMODITIES AND AGRICULTURE

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY ($ per tonne) [illegible]

ALUMINIUM ALLOY ($ per tonne) [illegible]

LEAD ($ per tonne) [illegible]

NICKEL ($ per tonne) [illegible]

TIN ($ per tonne) [illegible]

ZINC, special high grade ($ per tonne) [illegible]

COPPER, grade A ($ per tonne) [illegible]

LME AM Official £/$ rate: 1.4810 [illegible]

HIGH GRADE COPPER (COMEX) [illegible]

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
[illegible]	[illegible]	[illegible]
3 months	338.50	505.15
6 months	342.60	510.40
1 year	350.10	519.30
Gold Coins	$ price	£ equiv.
Krugerrand	387-390	258-261
Maple Leaf	397.95-400.45	
New Sovereign	90-93	60-63

Precious Metals continued

GOLD COMEX (100 Troy oz.; $/troy oz.) [illegible]

PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

SILVER COMEX (100 Troy oz.; $/troy oz.) [illegible]

ENERGY

CRUDE OIL NYMEX (42,000 US galls. $/barrel) [illegible]

CRUDE OIL IPE ($/barrel) [illegible]

HEATING OIL NYMEX (42,000 US galls.; c/US galls.) [illegible]

GAS OIL IPE ($/tonne) [illegible]

NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) [illegible]

Feb	39.26	+39	39.70	38.80	41,474	12,233
Mar	40.80	+8	41.30	40.40	31,480	4,674
Apr	44.50	+8	44.95	44.05	20,484	1,869
May	45.65	-27	45.60	44.80	27,228	1,582
Jun	48.10	+6	46.20	45.60	7,576	719
Total					149,921	35,299

GRAINS AND OIL SEEDS

WHEAT LCE (£ per tonne) [illegible]

WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

BARLEY LCE (£ per tonne) [illegible]

SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

POTATOES LCE (£/tonne) [illegible]

FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

	Close	Prev
BFI	1288	1281

Spices

Last week we reported already that pepper prices had started to improve. During this week the upward trend continued both for white and black pepper. A recent survey in the far east reveals that white pepper stocks in Indonesia are much too low to cover the requirements for the next 7/8 months to come before the new crop will be available. It is therefore not so surprising that prices recovered from $2400 cif, a fortnight ago to about $3000 cif, today. A slight recovery in the demand(shortcovering) triggered the market already. Since not much material from other sources may be expected the supply position will remain very tight. Black pepper prices also recovered quickly from their lows ($1250 cif) to about $1600 cif,(today) all origins tended much firmer from the moment some demand came in from non traditional consuming markets.

SOFTS

COCOA LCE (£/tonne) [illegible]

COCOA CSCE (10 tonnes; $/tonnes) [illegible]

COCOA (ICCO) (SDR's/tonne) [illegible]

COFFEE LCE ($/tonne) [illegible]

COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

COFFEE (ICO) (US cents/pound) [illegible]

No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

WHITE SUGAR LCE ($/tonne) [illegible]

SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

COTTON NYCE (50,000lbs; cents/lbs) [illegible]

ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

REUTERS (Base: 18/9/31=100) [illegible]

CRB (Base: 4/9/56=100) [illegible]

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000lbs; cents/lbs) [illegible]

LIVE HOGS CME (40,000lbs; cents/lbs) [illegible]

PORK BELLIES CME (40,000lbs; cents/lbs) [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

ALUMINIUM (99.7%) LME [illegible]

COPPER (Grade A) LME [illegible]

COFFEE LCE [illegible]

COCOA LCE [illegible]

BRENT CRUDE IPE [illegible]

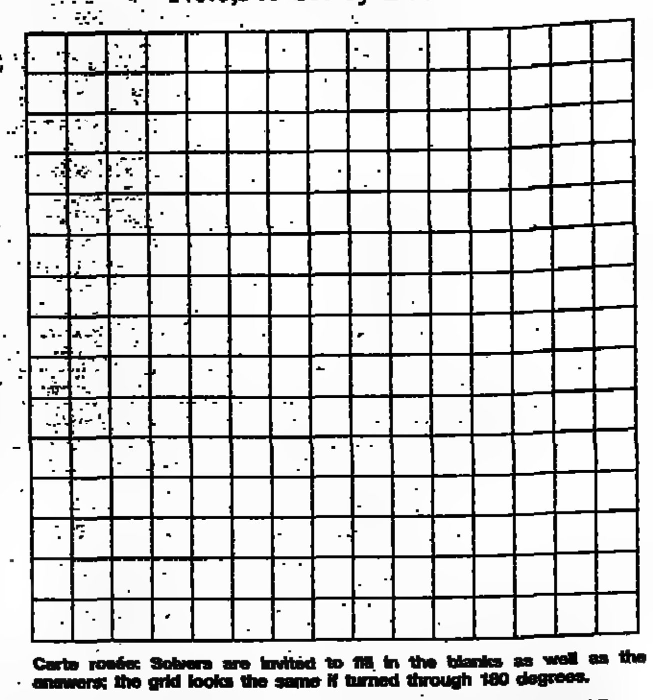
LONDON SPOT MARKETS

OIL PRODUCTS NWE prompt delivery CIF (tonne) [illegible]

OTHER [illegible]

CROSSWORD

No.8,340 Set by DANTE



Carte rosée: Solvers are invited to fill in the blanks as well as the answers; the grid looks the same if turned through 180 degrees.

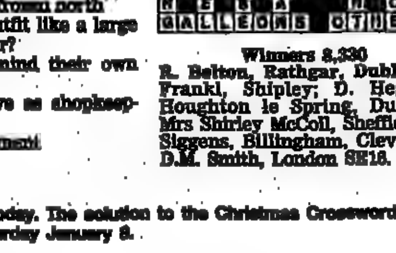
ACROSS

1 Archer on duty at the front of the boat
4 A translation that creates antipathy
9 Gadget wrongly labelled
10 Write letters in bed in quarters
12 Happening I'd noted at close of day
13 This train may be held up by the attendant
15 Article about Kipling poem of unaffected simplicity
16 Perished with heart strain and makes others unhappy
19 Rags to riches story recalled in new pantomime
20 The ring Winnie returned
23 Young nun is without sin
25 Capital investment supports the family
27 Completely out of port and unable to explain why? (three words)
28 I get in trouble, but make light of the matter
29 Reasonable desert island with lake
30 High spirits?

DOWN

1 Bird from the frozen north
2 Wearing an outfit like a large operatic singer?
3 They don't mind their own business
5 Close after five as shopkeepers do
6 Official instrument
7 Classic appearing in 151AD
8 Wants to be out of the French sewers
11 One who goes to court?
14 Pole inclined to be pompous
17 Gather commodities together being about to prepare pickles
18 Shakespearian character to sort out crime
19 Horseman may give an ace turn
21 Tool for lobster's claws
22 Monster in women's clothing?
24 Get state permit to have a servant
26 Girl getting rave review

Solution 8,330



Winners 8,330

R. Belton, Rathgar, Dublin; F. Frankl, Shipley; D. Hegarty, Houghton le Spring, Durham; Mrs Shirley McColl, Sheffield; D. Siggens, Billingham, Cleveland; D.M. Smith, London SE18.

No prize puzzle today. The solution to the Christmas Crossword will be published on Saturday January 8.

JOTTER PAD

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 24, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

[illegible]

PUBLIC NOTICES

IN THE MATTER OF ELSEA HOLDINGS LIMITED AND IN THE MATTER OF THE COMPANIES (SOUTH AUSTRALIA) CODE

The creditors of the abovenamed company are required on or before 22 February, 1994, to prove their debts or claims and to establish any title they may have to priority by delivering or sending through the post to the Scheme Administrator at the undermentioned address an affidavit verifying their respective debts or claims. In default they will be excluded from the benefit of any distribution made before such debts or claims are proved or such priority is established and from objecting to any such distribution. Form of proof may be obtained from the undersigned.

DATED this 29th day of December 1993.

I D Ferrier, Scheme Administrator, c/- Ferrier Hodgson, Chartered Accountants, Level 17, 2 Market Street, SYDNEY NSW 2000. Ph 61-2-286 9999 DX.1122 Sydney

COMPANY NOTICES

QUEBEC CENTRAL RAILWAY COMPANY

4% First Mortgage Debenture Stock

In preparation for the payment of the half-yearly interest due February 1 1994 on the above stock, the transfer books will be closed at 3.30 pm on January 14 1994 and will be re-opened on January 24 1994.

D R Kent, Assistant Secretary

62-65 Trafalgar Square, London WC2N 5DY

December 29 1993

PERSONAL

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Record run maintained on Christmas Eve

By Terry Byland,
UK Stock Market Editor

Enthusiasm continued to run high on the London stock market on Christmas Eve, when the Footsie pushed through 3,400 to yet higher peaks as investors anticipated a cut in UK base rates early in January. Confidence in economic recovery was encouraged by reports from Britain's leading retailers that sales had risen nationally by 13pc-17pc over the past fortnight; record sales of mobile phones provided the iceing on the Christmas retail cake.

The FT-SE Index closed at a new peak of 3,412.3, a gain of 15.8 on overnight and only a touch below the new intra-day peak chalked up just before trading closed.

The final week of pre-Christmas trading saw the Footsie brush off the expected attempted profit-taking to return to the upward trend as futures markets indicated the underlyingly bullish investment view. Share prices have been squeezed higher by a severe shortage of stock as marketmakers have struggled to meet unexpected demand from the institutions.

Although the extended Christmas equity account does not close until the end of this month, traders have become wary of leaving dealing positions exposed over a period when most major stocks markets will be closed for several days. Some houses still held short positions on Friday morning and were active buyers of stock.

Also at a new closing peak was the FT-SE Mid 250 Index, with a gain of 10.4 bringing a final figure of 3,773.2. The Mid 250 stocks have proved volatile but have attracted increasing interest from both professional and private investors.

Account Dealing Dates		
*First Dealings: Dec 13	Jan 4	Jan 17
Option Declarations: Dec 30	Jan 13	Jan 27
Last Dealings: Dec 31	Jan 14	Jan 28
Account Day: Jan 10	Jan 24	Feb 7

*New time dealings may take place from two business days earlier.

Although equity trading volumes were naturally reduced for the half-day Christmas Eve session, statistics on retail, or customer, business confirmed that investment in the UK stock market remained above average for pre-Christmas weeks.

Stock index futures continued to provide a strong lead for share prices. In pre-futures trading, the equity market was little changed from overnight but when the March contract opened with a good premium, shares began to move ahead, and the Footsie showed a gain of about 11 points after half an hour of official trading.

Morning meetings at the City's leading securities firms were somewhat lightly attended but most analysts had already put together their lists of recommended share buys. Traders were warned not to relax their grip of a market which could well see further activity in the final sessions of the year.

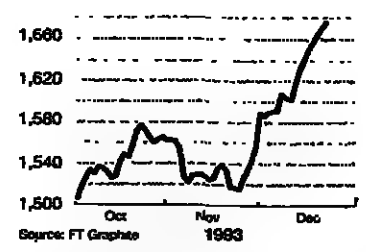
Fund managers are expected to take any opportunity offered to top up their portfolios with stocks in those sectors which have led the market forward since the Budget at the end of November.

Substantial gains in the banking sector again provided the market's strongest feature as dividend confidence continued to drive the sector forward. The rest of the financial sector also remained very firm, although the merchant banks, which have benefited strongly from their active association with the securities markets, traded more calmly.

Leading store shares, which have shown some caution while awaiting news on Christmas trading, looked firmer although there was no rush to buy the shares.

Seaq volume ended at 242.1m shares for the half-session, compared with 885.4m for the full session of the previous day. On Thursday, retail volume was worth £1.86bn, at the top end of daily averages for the year.

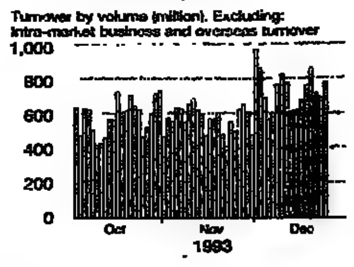
FT-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT SE 100	3412.3	+15.8	FT Ordinary Index	2557.7	+8.5
FT-SE Mid 250	3773.2	+10.4	FT-A 500 p/e	21.97	(21.90)
FT-SE-A 350	1698.8	+7.1	FT-SE 100 Fut Mar	3435.0	+16.0
FT-A All-Share	1677.01	+7.05	10 yr Gilt yield	6.16	(6.17)
FT-A All-Share yield	3.38	(3.39)	Long gilt/equity yld ratio:	1.97	(1.97)

Best performing sectors

1 Banks ... +1.7
2 Financial Group ... +1.1
3 Chemicals ... +0.8
4 Food Manufacturing ... +0.6
5 Contracting, Construct ... +0.6

Worst performing sectors

1 Electricals ... -0.9
2 Water ... -0.2
3 Pack, Paper & Print ... -0.2
4 Media ... -0.1
5 Other Industrials ... -0.0

Seasonal sales lift Vodafone

Cellular telephones group Vodafone produced the second-biggest gain in the FT-SE 100 stocks, responding to a report that sales of cellular telephones are currently running at record levels. The shares were additionally helped by inclusion in a number of stockbrokers' 1994 'best buy' recommendations.

The story had much less impact on the UK's other cellular telephone companies. BT, which has a majority stake in Cellnet, eased slightly, while Securicor Group, which controls the minority in Cellnet, managed only a minor improvement.

Connections to the Vodafone and Cellnet networks have been increasing rapidly in recent months following low cost tariff initiatives introduced by both networks.

Vodafone shares finished the run-up to Christmas at an all-time closing high of 592½p, a net gain of 10½p. Turnover reached a highly respectable 1.9m shares. BT, which hit a record 489½p a week ago, failed to make any progress, closing a fraction easier at 486p, with the partly-paid 2½ down at 227p. Securicor "A" edged up 4 to 892p.

News and electronic information group Reuters Holdings was heavily traded as investors took profits following recent outperformance. The shares fell 16 to 1864p with US sellers leading the price correction.

The shares had risen sharply as a result of a bear squeeze and talk that the company was considering a bid for Quotron, the US dealing screen subsidiary of Citicorp. One dealers said "considering the stock is at a 50 per cent premium to the market it's surprising that the fall is so slight and the volume is so high - there has been good two-way business. By the mid-day close more than 1m shares had been traded, equivalent to the average turnover on a full day. A further 1m shares were traded in the form of options.

Shares with listings in New York were generally weak as US investors, anticipating a hike in their domestic interest rates, repatriated funds. Hanson eased a halfpenny to 272½p, Glaxo slipped a penny to 722p, Wellcome fell 2 to 651p and Shell lost a penny to 718p. However, volumes were low.

The English power generator stocks extended their recent powerful performances, as the market continued to adopt the view that the companies will be able to avoid a reference to the Monopolies and Mergers Commission.

A decision by Professor Stephen Littlechild, head of Offer, the industry regulator, whether to refer the companies to the MMC is expected early in January.

Recently, Professor Littlechild said a reference could be avoided if the companies sold some power stations to rivals and gave assurances on electricity pricing levels.

National Power, the larger of the two groups, raced up 8 to a peak 505p while PowerGen, which earlier last week agreed to buy £123m worth of North Sea assets from Lasmo, put on 5 to a record 567p.

There was no shortage of business in the banks which recovered strongly after recent profit-taking and switching over the past few sessions.

A Cazenove upgrade and broker buy recommendations drove Standard Chartered up 10 to 1231p. NatWest was the most heavily traded bank stock and the FT-SE 100's best performer, the shares climbing 15¼, or 2.6 per cent, to 607¼p. There was also heavy activity in the bank's traded options.

Abbey National moved up 8 to a peak 496p after an encouraging forecast on the UK housing market by the Council of Mortgage Lenders.

Insurance broker CE Heath climbed a further 19 to 409p, responding to a Kleinwort Benson buy recommendation and speculation that a predator could be stalking the group.

A series of exceptionally trades in Clyde Petroleum, the soil exploration group ,at a deep discount, was said to have been the completion of a "bed and breakfast," or tax-related deal. A total of 33m shares traded at 35p with the stock price rock steady at 47p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other statistics, Page 14

■ NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (350).
BRITISH FUNDS (12) BANKS (8) Abbey Natl., Bk. Loumi, Bk. Scotland 9⅜pc Pf., HSBC, HSBC HK, Lloyds, BREWERS (4) Allied-Lyons, Gibbs Mew, Greenalls, Mansfield, BLDG MATLS (8) BMSS, BPB, Caradon, Do 7¼pc Pf., Heywood Williams, Ibstock Johnsen, Marley, Pilkington Wts., BUSINESS SERVS (4) Capita, Caskel, Rentokil, Scott Pickford, CHEMS (3) BTP, Halstead (J), Laporte, CONGLOMERATES (2) Daimler-Benz, Grampian, CONTG & CONSTRCN (12) Ashtead, Bellway, Bellwinch, Berkeley, Hewden-Stuart, Higgs & Hill, Lon. & Clydeside, McAlpine (A), McCarthy & Stone, Mowlem (J), Persimmon, Sheriff, ELECTRICALS (2) Denmans, Dowding & Mills, ELECTRICITY (14) ELECTRONICS (4) Control Techs., Elect'comps., Phonelink, ENG AERO (2) ML, Smiths Inds., ENG GEN (10) HEALTH & HSEHOLD (5) Amersham Intl., Reckitt & Colman, Do 9¾pc Cv., Tabors, Zeneca, HOTELS & LEIS (8) Airtours, Do 6¾pc Pf., Compass, Jurys, Stanley Leis., INSCE BROKERS (1) Archer (A.J), INSCE COMPOSITE (8) Angerstein, Dallan Lloyds, London Insce., INSCE LIFE (1) INV TRUSTS (172) MEDIA (14) MTL & MTL FORMING (1) Cooper (Fr), MISC (12) BAT Inds., Black (P), Coletax & Fowler, Eurocopy, Fairway, Frost, Headlam, Heritage, Nobo, Rothmans, Sothebys, Spandex, MOTORS (4) Cowie (T), GKN, Henlys, Sanderson Murray Elder, OTHER FINCL (3) Edinburgh Fd. Mngrs., M & G, St James Pl., OTHER INDLS (1) Coal Invs., PACKG, PAPER & PRNTG (8) API, De La Rue, Ferguson Intl., Filofax, Hunters Armley, Shelton (M), Somic, Wyndeham, PROP (8) STORES (12) TELE NETWORKS (8) Cable & Wireless, Do 7pc Cv. '08, Securicor, Do N/V, Security Servs., Vodafone, TEXTS (2) British Mohair, Coloroll, TRANSPORT (5) WATER (5) Southern, Wessex, MINES (3).

NEW LOWS (6).
CONTG & CONSTRCN (2) Donelon Tyson, Westport, ELECTRONICS (1) Lins Prntg., INSCE BROKERS (1) Hogg, MEDIA (1) Blenheim 8.4pc Pf., TEXTS (1) Courtaulds.

Data based on those Companies quoted on the London Share Service.

A year in which the tail wagged the dog

By Peter John

When stock market historians pick their way through the archives, 1993 could be seen as the year when the tail wagged the stock market dog. While many analysts are asking themselves if the stock market is seriously overbought, the Footsie futures have continued to drive it higher.

Next Wednesday, the London International Financial Futures Exchange (LIFFE) will publish volume figures for the year end. The data is likely to disclose a new record. Recent figures for open interest in Footsie futures – the number of short and long positions in the market – show that activity has risen by around 50 per cent this year. The last contract for 1993, which expired on December 17, continually traded at a hefty premium to the cash market and its successor, which expires in March, has seen similar pressure. March began its life some 30 points higher than a stock market already at record highs and in the first four trading days of being the leading derivatives contract on the Footsie, it leapt 120 points.

The questions begged by this frenetic activity are who is behind it and why?

Derivative flows are hard to track but it does seem clear that the pressure is far less home driven than one might expect. Leading institutions such as the Prudential and Mercury Asset Management might use futures as a quick way into the market or a hedge against sharp falls. But many small institutions are like Scottish crofters still tuning into the weather report on steam radio while the average ten-year-old is quoting Michael Fish soundbites.

There is a consensus that about 50 per cent of activity in futures comes from US investors. This is partly because they are far more comfortable with the technicalities of derivatives instruments than their UK counterparts.

Also, large US funds need to move cash quickly and futures can provide a far more efficient way of doing this. This has caused an undercurrent of concern that when the US Federal Reserve begins to lift rates again the improved returns will quickly lead to suck-back of dollars that will drain many European markets.

However, there is a competing argument that improved liquidity has fundamentally increased the level of global investment and that, as disposable incomes rise, there will be more money rather than less invested in the mature economies.

EQUITY FUTURES AND OPTIONS TRADING

Volumes in derivative markets died away on Friday although futures dealers were becoming increasingly jittery ahead of the new year which is expected to see some massive expiries in traded options, *writes Peter John*.

The contract on the FT-SE 100, which expires in March, opened at 3,417 – slightly lower than Thursday's close – but was squeezed up to 3,435 as dealers attempted to unwind positions.

The spread between March and the underlying market widened to 24 points, a slight premium over its estimated fair value - the figure which takes in the cost of carrying minus dividends and is currently calculated at about 20 points. Turnover reached 2,129 lots.

The calm was deceptive. Leading life assurers are believed to have taken on significant hedge positions before the stock market's most recent 300-point rally. Many of these positions would make money until the stock market hits 3,350 at which point they become worthless.

The hedges, often puts which give the holder the right to sell the market at a fixed price and time, will expire on the last two trading days of the the year and that expiry is predicted to lead to volatile trading in the underlying and derivative markets, including the traded options sector.

Options turnover on Friday was slightly higher than might have been expected with both Trafalgar House, which is in the process of heavy restructuring following shock losses recently, and Reuters Holdings seeing more than 1,000 lots changing hands, the equivalent of one million shares. Total options turnover was 17,367 lots by the early midday close.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3417.0	3435.0	+16.0	3438.0	3415.0	2326	64507
Jun	3448.0	3446.5	+16.0	3448.0	3448.0	1	1769

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3411) £10 per full index point

	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P
Jan	225½	5	177½	7½	132½	11½	92½	22	60½	35½	39½	65½	16½	100½	8½	142½
Feb	246½	11½	197	17½	155	25½	117	37	85	55½	55½	78½	35½	109	21½	148
Mar	282	21	239	28	171	39½	134	52½	103½	72	76½	95½	54½	124½	39½	160
Apr	281½	28	221½	37	193½	48½	146	69½	119½	84	92	105½	70	136½	51½	170
Jun†	282½	44½			207	67½			144½	104½			99½	157	78½	187

Calls 2,536 Puts 3,539

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P
Jan	293½	3½	247½	3½	198	6½	151½	9½	107½	14	71½	25½	42½	46½	21	77½
Feb	310	8	263½	10	218½	14	175½	20½	136	30½	100½	44½	70	63½	46½	89½
Mar	318½	13			231	24½			182½	44½			89	79½		
Jun	342	29			261	45			189	72½			131½	111		
Sept†	371½	48½			295	69			229½	96½			173	136		

Calls 1,500 Puts 2,062 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	2,100	58	+¼
Abbey National†	536	496	+8
Albert Fisher	261	66	+1
Allied-Lyons†	376	585	+3
Anglian Water†	26	607	-1
Argos	11	391	
Argyll Group†	798	277	+1
Arjo Wiggins†	261	240	
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FT - SE Actuaries Share Indices — The UK Series

	Dec 24	Day's chge%	Dec 23	Dec 22	Dec 21	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3412.3	+0.5	3395.5	3380.7	3342.4	2827.5	3.45	5.10	24.35	97.18	1249.56
FT-SE Mid 250	3773.2	+0.3	3762.8	3727.0	3708.9	2846.9	3.23	5.08	24.51	85.10	1367.67
FT-SE Mid 250 ex Inv Trusts	3781.1	+0.3	3750.8	3718.3	3698.4	2859.9	3.36	5.42	22.97	87.74	1358.86
FT-SE-A 350	1698.8	+0.4	1691.7	1672.3	1665.1	1379.8	3.40	5.09	24.38	47.14	1274.06
FT-SE SmallCap	1845.17	+0.4	1837.79	1821.77	1815.06	–	3.06	3.86	32.61	49.20	1399.85
FT-SE SmallCap ex Inv Trusts	1795.27	+0.0	1789.04	1776.58	1770.93	–	3.30	4.43	29.74	45.49	1363.29
FT-A ALL-SHARE	1677.01	+0.4	1669.96	1651.09	1644.08	1355.18	3.38	5.02	24.76	46.11	1279.99

■ FT-Actuaries All-Share

	Dec 24	Day's chge%	Dec 23	Dec 22	Dec 21	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
1 CAPITAL GOODS(216)	1154.67	+0.2	1152.53	1140.13	1131.79	868.91	3.36	3.60	33.76	32.79	1374.09
2 Building Materials(26)	1434.59	+0.3	1429.72	1415.15	1400.53	888.63	3.15	2.55	53.88	35.60	1682.28
3 Contracting, Construction(29)	1156.90	+0.6	1150.43	1107.05	1131.83	723.63	2.75	1.10	80.00†	25.21	1618.68
4 Electricals(15)	2968.30	-0.9	2994.42	3005.61	3025.91	2503.40	4.56	3.07	34.43	107.78	1216.68
5 Electronics(30)	2827.69	+0.3	2818.19	2796.50	2792.86	2367.15	3.12	6.18	19.31	83.63	1249.74
6 Engineering-Aerospace(7)	466.11	+0.2	465.31	462.92	462.48	291.82	3.11	‡	‡	12.13	1034.30
7 Engineering-General(49)	664.46	+0.2	663.40	660.54	655.51	505.58	3.25	5.14	28.72	16.79	1342.78
8 Metals & Metal Forming(9)	496.53	+0.1	496.08	491.40	493.42	319.51	2.40	0.68	80.00†	9.78	1581.98
9 Motors(20)	481.42	+0.4	489.64	482.31	480.42	366.96	4.50	3.70	37.54	19.73	1383.14
10 Other Industrials(20)	2296.15	[illegible]	2285.82	2258.94	2223.65	1884.97	3.65	5.47	21.54	72.52	1188.09
21 CONSUMER GROUP(243)	1838.68	+0.3	1833.86	1811.16	1806.62	1753.07	3.27	6.07	18.89	47.39	1081.78
22 Brewers and Distillers(28)	2125.61	+0.2	2121.43	2096.79	2107.89	2102.13	3.60	6.62	18.08	56.78	1052.00
25 Food Manufacturing(24)	1436.25	+0.6	1427.10	1417.55	1410.66	1342.86	3.63	6.76	17.46	41.28	1121.19
26 Food Retailing(17)	2620.07	+0.5	2607.37	2581.61	2604.91	3370.16	3.67	9.42	13.18	76.02	831.70
27 Health & Household(31)	3739.41	+0.3	3728.77	3672.14	3670.02	4173.30	3.65	6.28	18.55	104.18	908.04
29 Hotels and Leisure(21)	1537.40	+0.3	1533.32	1507.11	1502.61	1255.63	3.87	5.56	22.50	53.05	1240.77
30 Media(34)	2519.76	-0.1	2521.07	2473.56	2433.32	1829.53	2.07	4.10	29.30	56.13	1409.59
31 Packaging and Paper(27)	961.15	-0.2	963.31	959.57	951.96	786.22	3.15	4.93	24.56	24.36	1268.88
34 Stores(41)	1444.03	+0.3	1439.41	1420.73	1411.54	1150.59	2.55	4.07	25.28	29.21	1276.61
35 Textiles(20)	797.04	+0.1	796.23	797.69	809.32	747.82	3.85	5.79	21.75	24.28	1100.63
40 OTHER GROUPS(144)	1829.48	+0.4	1821.85	1799.06	1788.89	1432.65	3.62	6.00	20.42	54.47	1322.70
41 Business Services(27)	1769.99	+0.2	1766.99	1743.63	1724.82	1510.80	2.57	6.69	18.94	35.84	1191.36
42 Chemicals(24)	1618.06	+0.8	1606.99	1582.38	1586.91	1404.13	4.02	0.29	‡	55.90	1182.21
43 Conglomerates(17)	1604.59	.....	1604.34	1603.52	1606.00	1377.05	4.79	3.27	46.61	59.77	1211.83
44 Transport(18)	3859.58	+0.6	3840.57	3610.26	3586.23	2787.29	3.25	3.65	30.80	102.40	1374.34
45 Electricity(17)	2578.51	+0.5	2564.70	2498.23	2471.47	1580.45	3.21	9.66	12.73	67.64	1713.06
46 Telephone Networks(4)	2173.85	+0.3	2167.51	2146.71	2126.65	1664.36	3.23	5.77	21.25	57.72	1336.17
47 Water(13)	4151.03	-0.2	4160.82	4092.25	4075.40	3235.69	4.36	10.72	10.30	150.51	1339.99
48 Miscellaneous(32)	2725.33	+1.2	2691.90	2669.56	2643.88	2510.14	4.16	6.52	18.41	90.06	1144.73
49 INDUSTRIAL GROUP(603)	1677.69	+0.3	1672.81	1652.64	1644.47	1431.26	3.41	5.58	21.92	46.39	1211.45
51 Oil & Gas(17)	2855.76	+0.2	2850.18	2821.48	2844.47	2212.49	3.89	5.59	22.35	89.73	1325.67
59 "500" SHARE INDEX(620)	1782.60	+0.3	1777.60	1756.55	1750.33	1505.53	3.46	5.58	21.97	50.04	1222.98
61 FINANCIAL GROUP(93)	1340.47	+1.1	1326.50	1316.60	1308.84	891.27	3.24	2.97	49.03	36.97	1592.67
62 Banks(9)	1954.42	+1.7	1921.37	1905.78	1885.79	1192.99	2.78	3.40	39.63	47.01	1700.88
65 Insurance (Life)(6)	2138.57	+0.3	2133.01	2125.05	2108.47	1812.98	4.30	4.48	28.11	73.50	1263.85
66 Insurance (Composite)(8)	754.10	+0.1	753.21	740.73	736.10	642.89	4.37	‡	‡	28.54	1254.31
67 Insurance Brokers(10)	866.13	+0.3	863.82	859.07	849.49	783.05	4.47	4.82	30.26	30.41	1163.98
68 Merchant Banks(6)	915.56	+0.1	914.35	909.13	896.59	493.69	2.58	6.35	19.32	18.79	1877.84
69 Property(30)	1165.91	+0.3	1162.64	1162.35	1173.42	648.02	3.01	3.31	41.40	32.41	1893.84
70 Other Financial(24)	490.20	+0.1	489.53	486.43	484.80	300.98	3.27	5.14	25.48	11.99	1678.52
71 Investment Trusts(110)	1943.48	+0.4	1936.22	1902.92	1891.83	1335.74	2.11	1.70	68.84	32.98	1489.38
99 FT-A ALL-SHARE(823)	1677.01	+0.4	1669.96	1651.09	1644.08	1355.18	3.38	5.02	24.76	46.11	1279.99

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3398.5	3407.8	3407.2	3407.1	3411.5	-	-	-	-	3412.4	3396.5
FT-SE Mid 250	3763.6	3769.3	3770.9	3772.1	3773.1	-	-	-	-	3773.2	3763.6
FT-SE-A 350	1691.6	1696.7	1696.6	1696.7	1696.5	-	-	-	-	1698.9	1691.8

Time of FT-SE 100 High 12.29pm Low 8.30am

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Construction	2234.6	2242.5	2243.2	2243.7	2243.0	-	-	-	-	2243.0	2233.5	+9.5
Health & H'hold	1126.0	1131.5	1130.3	1130.2	1130.9	-	-	-	-	1130.9	1127.5	+3.4
Water	1721.4	1723.4	1717.3	1716.4	1716.4	-	-	-	-	1716.4	1720.5	-4.1
Banks	2342.9	2359.5	2363.5	2364.9	2373.6	-	-	-	-	2375.6	2335.4	+40.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 High	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		19⅝	+⅛	20½	15⅝	16,276	2.3
Allegheny & W.	♥	493p	—	722p	389p	348.1	4.6
Amdahl		486p	—	681p	284p	515.4	0.7
Amer Cyanamid		33⅛	—	38	31¼	2,999	3.5
Amer Express		20⅝	—	25½	14⅝	10,645	3.2
Amer T & T		36⅛xd	—	43⅛	33⅛	40,649	2.4
Ameritech		52¾	—	58¼	48	28,314	4.7
Anheuser-Busch		32½xd	—	41⅛	29⅛	9,011	2.9
BankAmerica		31⅛xd	+⅛	38½	27⅝	11,109	3.0
Bankers NY		53⅛	-⅛	54¼	42⅝	4,395	3.9
Bell Atlantic		40⅛	—	44¼	32⅛	17,684	4.4
BellSouth		39	—	42⅝	32⅞	19,268	4.9
Bethlehem Steel	♥	12⅛	-⅛	13¼	8⅛	1,114	-
Bowater		1577p	—	1682p	1169p	571.4	2.5
CPC		31⅛	-⅛	34⅝	30	4,068	2.7
California Engy		1293p	—	1479p	1088p	225.4	-
Chase Manhattan		23⅛	-⅛	24⅝	17⅝	4,294	3.6
Chrysler		36⅛xd	-⅛	39	21¼	10,895	1.5
Citicorp		24½	-⅛	28	13½	9,312	-
Colgate-Palm		40½	-⅛	45⅝	32	6,496	2.4
Cont'l Bank		1749p	—	1877p	1276p	1,767	2.3
Dana		36⅝xd	—	39½	29½	1,773	2.8
Data General		588p	—	991p	527p	162.3	-
Decora Inds	♥	79½p	—	148p	79½p	-	-
Dun & Brad		41⅛	—	45⅝	37⅛	7,377	4.0
Eaton		39⅝	—	37⅛	35⅛	2,358	2.4
Echlin		22⅛	+⅛	22⅛	15⅛	1,285	2.1
FPL		26⅛	+⅛	27⅝	22⅛	4,789	6.3
Ford Motor		43⅛	-⅛	43⅝	25⅛	21,247	2.5
Gen Elect		70⅛	+⅛	70⅛	53⅝	60,195	2.4
General Host	♥	463p	—	723p	452p	-	4.7
Gillette		40⅛xd	+⅛	43⅛	31⅛	8,867	1.4

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot Asian Pig	♣□	367	+2	369	136	–	350.3	0.4
Warrants		1050	–	1050	225	–	–	–
Scot East	♣†□	80	–	98	63½	2.1	88.0	9.1
Scottish Inv	♣□	248	-½	247	183	2.8	272.8	9.2
Warrants	□	94½	–	94½	38	–	–	–
Scot Mortgage	♣□	250	+½	280	176	2.8	273.1	8.6
Scot National Inc	♣□	104½	+½	105	83	9.5	–	–
Cap	□	42	–	42	18	–	151.9	72.3
Stepped Pf		160½	–	160½	150¾	4.7	–	–
Zero Div Pf		224	–	224	207	–	–	–
Warrants		5½	–	5½	2½	–	–	–
Scot Value	♣†□	116½	–	117	71	1.9	118.8	1.7
Sec Alliance	♣N	1719	+4	1719	1390	2.8	1842.0	6.7
Second Consid	□	178	–	198	89	–	188.9	7.4
Second HSSC	□	107	+1	108	101	–	100.1	-6.4
Second Market	♣	447	+6	447	258			

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		110½	–	122½	93	12.2	9.0	–
9¼pc Non-Cum Pf		133¼	+½	136	113	53.3	9.1	–
Close Bros	♣N	485	–	485	250	222.2	2.8	18.8
Hambros	♣†□	389	+3	403	243	701.0	4.5	18.4
7½pc Cv Pf		182½	+1	184	111½	243.8	5.8	–
Joseph (L)	♣†	418xd	–	428	313	21.9	5.0	–
Kleinwort Benson	♣†□	587	+2	599	312	708.2	3.5	20.7
Rea Bros	♣†□	59	–	60	39	22.1	1.2	62.7
Schroders	♣†N□	1360	–	1380	487½	1,373	1.1	27.1
N/V	†h	1260	–	1315	327½	382.8	1.2	25.1
Singer & Fried	♣HN□	85	–	89	45	163.5	4.4	–
Warburg (SG)	♣†N□	944	–	948	525	2,048	2.6	13.6
Wintrust	♣	305	–	325	189	39.7	3.7	28.2

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Emmex Intl R	♣□	14¼	–	18	3¼	12.8	–
Europa Minls	N□	49½	–	47	15	21.8	–
Glencar Expl R	††	18	–	18	6	2.77	–
Greenwich Res	♣□	14	–	22¼	6	11.4	–
Hemlo Gold C$		67½	+½	68½	23½	688.8	1.4
Ivernia West R	††□	38	–	87	31	19.1	–
Kells Minls R	††	21	–	23	6	0.81	–
Kenmare	♣□	10½	–	12½	6	10.8	–
Milagro Minls		18	-½	19	14	0.68	–
Navan Res R	♣	146	–	160	25	29.1	–
8pc Ln Notes		130	–	140	25	25.8	–
Oryx Gold		48	–	78½	27	–	–
†‡Ovoca Res R		24	–	28½	3½	1.67	–
RTZ	♣N□	790	+4	790	607	8,408	3.1

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xz ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT8633. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)F

T.U. Fund Managers Limited (1200)H

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)F

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

OTHER UK UNIT TRUSTS

INSURANCES

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Black Horse Life Assurance - Contd.

Consolidated Life Assurance Co Ltd

Crown Financial Management Ltd

Guardian Royal Exchange - Contd.

Life Association of Scotland

Mercury Life Assurance Co Ltd - Contd.

Midland Life Limited

Prosperity Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Royal Heritage Life Assurance Ltd - Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Scottish Widows' Group

Skandia Life Assurance Co Ltd (z)

TSB Life Ltd - Contd.

Target Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Muted holiday trading

The continued closure of London's financial markets yesterday made for quiet currency trading in other centres in spite of better than expected US consumer confidence data and a surprise cut in Belgium's central rate for money market lending, *writes Peter Norman.*

Traders in Europe said that activity was unlikely to revive until after the new year even though London operators return to the fray today. Although exchange rates moved in narrow ranges yesterday, there was a considerable amount of information for the market to digest.

● The dollar yesterday was a good example of a currency that failed to respond to news. The Conference Board's US consumer confidence index jumped to 80.10 in December from a revised 71.9 in November and was well above market's expectations of an index reading around 73.

But the dollar did little more than drift in thin trading, to close at DM1.7015 in Frankfurt, barely changed from DM1.7017 at the opening and Monday's New York close of DM1.701. The US currency traded in a half pfennig range throughout yesterday's European session to end little changed from the DM1.695 close in London on Christmas Eve.

Today sees the announcement of US leading indicators for November while US weekly jobless data will be released tomorrow. However, so long as many banks remain shut with their trading positions squared until the new year, it is difficult to foresee any revival of trading between the dollar and D-mark this week.

● German based traders are in any case waiting to see if their expectations of a Bundesbank rate cut are fulfilled early in the new year. The Bundesbank's first council meeting is scheduled for January 6. Yesterday Mr Otmar Issing, one of the anti-inflation hawks on the Bundesbank board, said considerable progress would be made in the fight against inflation next year. He added that the bank would continue to assess room for rate cuts but had set no date for an easing.

The D-mark was mixed against other continental currencies yesterday. It was steady at FFr3.4073 against FFr 3.408 in late Monday trading. However, by last night the French currency had strengthened noticeably from the FFr3.412 recorded in London on Christmas Eve. The Italian lira eased against the D-Mark to L988.75 from Monday's L986.25 and London's pre-Christmas L983.1 on renewed political uncertainty in Italy.

The Bundesbank's money market operations yesterday gave no clue to interest rate intentions. It called for tenders on its latest round of 14-day securities repurchase agreements at a fixed rate of 6 per cent to replace some DM79.5bn in 6 per cent repos which expire today.

■ Pound in New York

Dec	Latest	Prev. close
£ spot	1.5080	1.5035
1 mth	1.5054	1.5007
3 mth	1.5008	1.4962
1 yr	1.4890	1.4839

The new tranche of repos expires on January 12 and will be the fourth consecutive operation of its kind at which the rate has been fixed at 6 per cent. The amount accepted will be announced today, when payment also will be due.

● By contrast, the Belgian National Bank surprised the markets by cutting its key central rate for money market lending by 0.15 percentage points to 7.25 per cent yesterday. It also cut its regular overnight interest rate by 0.15 points to 8.95 per cent while leaving its discount rate unchanged at 5.25 per cent and its emergency rate for overnight lending at 11.50 per cent.

The Belgian National Bank declined to coment on the rate cuts. But they clearly did the Belgian franc no harm. It closed marginally stronger against the D-mark at BFr20.82 compared with BFr20.8295 late Monday and BFr20.84 in London on December 24.

● Sterling was supported in the absence of London trading by bullish remarks about the UK recovery from Mr Stephen Dorrell, financial secretary to the Treasury.

The pound was firm in late European dealings at DM2.5645 against Monday's DM2.5580 and DM 2.545 in London last Friday.

Against the dollar, sterling traded at $1.5085 in late European activity compared with $1.504 on Monday and $1.502 in pre-holiday London dealings.

● Earlier in Tokyo, the yen maintained a fragile stability. It closed against the dollar at Y111.45, slightly weaker than Y111.40 of late Monday in New York and the Y111.25 yen in Tokyo on Monday. Yesterday in New York lunchtime trading it was quoted at around Y111.35.

A moderate recovery of Tokyo stock prices hindered aggressive selling of the yen in Japan yesterday. Also operators were reported to be "very nervous about the wall of Y112," according to one dealer at a Japanese credit bank. "At present Y112 is a thick psychological barrier," he said.

Dealers that said the majority in the market predict a rise in the dollar at the beginning of January. However, the real intentions of the US regarding the yen's exchange rate remain uncertain, keeping traders uneasy.

Aggressive dollar buying has been discouraged by last week's comments by Mr Lloyd Bentsen, the US Treasury secretary, who said the US administration has been disappointed with the Japanese government's efforts towards stimulating domestic demand.

Moreover, complaints late on Monday from Mr Mickey Kantor, the US trade representative, about a drop in the foreign share of Japan's semiconductor market in the third quarter of this year fueled concerns that the US might place upward pressure on the yen.

The Japanese finance ministry announced yesterday that Japan's current account surplus for November fell 21 per cent from the year-earlier month to $8.21bn. Although the drop was sharper than expected, it failed to trigger any reaction in foreign exchange trading.

● Because of the extended UK holiday, the tables on this page containing data from London carry information from December 24. Data relating to US and continental European markets reflect yesterday's trading conditions.

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 24	Dec 17
Bills on offer	£200m	£200m
Total of applications	£780m	£1011m
Total allocated	£200m	£200m
Min. accepted bid	£98.780	£98.775
Allotment at min. level	40%	65%

	Dec 24	Dec 17
Top accepted rate	4.8736%	4.9136%
Ave. rate of discount	4.8537%	4.8968%
Average yield	4.9148%	4.9573%
Offer at next tender	£200m	£200m
Min. accept. bid 182 days		

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.5	Exeter Bank Limited	7	●Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk.	5.5	Whiteaway Laidlaw	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West.	7
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire Bank	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai.	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5	● Members of British Merchant Banking & Securities Houses Association	
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5	* In administration	
Citibank NA	5.5	Lloyds Bank	5.5		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	* Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

WORLD STOCK MARKETS

EUROPE — PACIFIC — NORTH AMERICA — AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Tuesday, December 28, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hanwa	6.8m	455	-100	Isuzu Motors	2.6m	335	+8
Oki Electric	5.4m	539	+21	Daikyo	2.1m	788	-100
Fujitsu	3.8m	848	+27	Nissan Motor	2.1m	749	+24
Daiwa Secs	3.2m	1220	+30	Sumitomo Metal	2.0m	853	+13
Nippon Steel	2.7m	303	+8	NKK Corp	1.7m	237	+7

INDICES

	Dec 28	Dec 27	Dec 23	1993 High		1993 Low	
Argentina							
General (29/12/77)	(u)	20088.3	(c)	20307.29	24/12	12167.85	8/3
Australia							
All Ordinaries(1/1/80)	(c)	(c)	2069.2	2132.40	1/11	1495.00	13/1
All Mining(1/1/80)	(c)	(c)	935.8	935.80	24/12	584.70	13/1
Austria							
Credit Aktien(30/12/84)	429.80	429.07	(c)	429.80	28/12	300.28	14/1
Traded Index(2/1/91)	1124.40	1120.79	(c)	1124.40	28/12	712.06	15/1
Belgium							
BEL20 (1/1/91)	1473.53	(c)	1462.40	1473.53	28/12	1125.46	4/1
Brazil							
Bovespa (29/12/83)	(u)	35928.0	(c)	37809.60	20/8	714.72	4/1
Canada							
Metals Minls♦(1975)	(u)	(c)	(c)	3551.97	13/12	2743.31	21/1
Composite♦ (1975)	(u)	(c)	(c)	4307.70	8/12	3275.80	21/1
Portfolio§§ (4/1/83)	(u)	(c)	(c)	2088.08	13/12	1720.97	21/1
Chile							
IPSA Gen (31/12/80)	(u)	3912.40	3387.94	3912.40	28/12	2912.08	10/5
Denmark							
CopenhagenSE(3/1/83)	382.40	358.57	(c)	382.40	28/12	281.50	4/1
Finland							
HEX General(28/12/90)	1582.8	1585.0	(c)	1607.70	3/11	843.10	22/1
France							
SBF 250 (31/12/90)	1498.85	1503.76	1483.07	1503.76	27/12	1114.19	28/1
CAC 40(31/12/87)	2264.64	2276.55	2248.83	2276.55	27/12	1772.21	29/1
Germany							
FAZ Aktien(31/12/58)	841.98	851.67	(c)	851.67	27/12	598.92	14/1
Commerzbank(1/12/53)	2413.5	2442.4	(c)	2442.40	27/12	1684.30	14/1
DAX (30/12/87)‡	2242.82	2253.98	(c)	2253.98	27/12	1516.80	13/1
Greece							
Athens SE(31/12/80)	935.17	910.00	904.89	944.44	13/8	667.72	5/1
Hong Kong							
Hang Seng(31/7/64)	11570.22		(c) 11039.84	11570.22	28/12	5437.80	4/1
India							
BSE Sens.(1979)	(c)	(c)	(c)	3454.89	13/12	2100.67	23/4
Indonesia							
Jakarta Comp.(10/8/82)	572.57	585.94	580.60	572.57	28/12	273.31	5/1
Ireland							
ISEQ Overall(4/1/88)	(c)	(c)	1847.75	1857.11	20/12	1181.18	11/1
Italy							
Banca Comm Ital (1972)	617.93	614.19	(c)	632.85	30/8	446.33	8/1
MIB General (4/1/93)	1353.0	1344.0	(c)	1380.00	30/8	982.80	11/1
Japan							
Nikkei 225 (16/5/49)	17131.21	16819.88	17141.11	21148.11	13/9	16078.71	29/11
Nikkei 300 (1/10/82)	254.81	250.74	254.96	306.84	10/11	249.84	29/11
Topix (4/1/68)	1427.19	1407.38	1428.70	1698.67	3/9	1250.06	25/1
2nd Section (4/1/68)	1860.71	1857.16	1877.26	2384.97	7/6	1851.72	28/1
Malaysia							
KLSE Comp.(4/4/86)	1223.05	1205.28	1178.46	1223.05	28/12	614.28	13/1
Mexico							
IPC (Nov 1978)	(u)	2593.57	(c)	2593.57	28/12	1504.15	25/2
Netherland							
CBS TtlRtnGen(End 83)	430.1	433.1	429.8	433.10	27/12	295.70	4/1
CBS All Shr (End 83)	278.8	280.7	278.6	280.70	27/12	186.60	13/1
New Zealand							
Cap. 40 (1/7/86)	(c)	(c)	2106.33	2209.59	2/11	1495.37	21/1
Norway							
Oslo SE(Ind)(2/1/83)	1052.66	1050.22	(c)	1052.66	28/12	669.93	27/1
Philippines							
Manila Comp (2/1/85)	3165.65	3170.62	(c)	3170.62	27/12	1270.66	4/1
Portugal							
BTA (1977)	2588.1	2598.5	(c)	2598.00	8/9	1608.20	14/1
Singapore							
SES All-S'pore(2/4/75)	628.73	619.18	610.08	628.73	28/12	394.10	13/1
South Africa							
JSE Gold (28/9/78)	2157.0♥	2184.0	2133.0	2184.00	27/12	775.00	5/1
JSE Indl. (28/9/78)	5487.0♥	5441.0	5354.0	5487.00	28/12	4833.00	19/4
South Korea							
KoreaCmpEx(4/1/80)**	866.18	873.68	861.42	874.10	17/12	605.98	6/3
Spain							
Madrid SE (30/12/85)	319.34	323.71	(c)	323.71	27/12	215.80	4/1
Sweden							
AffarsvardnGen (1/2/37)	1383.6	1384.5	(c)	1435.10	4/11	879.10	28/1
Switzerland							
Swiss Bk Ind (31/12/58)	1292.88	1302.75	(c)	1302.75	27/12	804.80	11/1
SBC General (1/4/87)	1005.72	1013.85	(c)	1013.85	27/12	678.79	11/1
Taiwan							
WeightedPr.(30/6/66)**	5501.75	5491.58	5320.38	5501.75	28/12	3088.43	9/1
Thailand							
Bangkok SET (30/4/75)	1652.69	1606.12	1585.12	1652.69	28/12	818.84	1/6
Turkey							
Istanbul Cmp.(Jan 1986)	19579.6	19585.6	19797.3	19797.30	24/12	3855.53	1/1
WORLD							
MS Capital Int (1/1/70)§	601.3*	598.1	589.1	607.19	15/10	488.69	13/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	(c)	(c)	1459.40	1469.58	23/12	1083.02	13/1
Euro Top-100 (26/6/90)	1228.65	1235.22	1227.77	1235.22	27/12	882.73	13/1
JCapelDrgns (31/12/88)	(c)	(c)	358.08	358.08	24/12	188.92	4/1
Barings Emerg.(7/1/92)	165.30	(u)	163.19	165.30	28/12	89.81	4/2

** Sat Dec 18: Taiwan Weighted Price 5202.14; Korea Comp Ex 864.00. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Dec 28 - 2238.91 -29.79.

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	2287.0	2262.0	-17.5	2289.0	2256.0	26,314	23,119
Jan	2298.5	2273.5	-17.5	2300.0	2270.0	13,035	26,626
Feb	2311.5	2286.0	-18.5	2311.5	2308.0	2	158
Mar	2323.0	2297.0	-17.0	2323.0	2295.0	560	28,981

Open interest figures for previous day.

US INDICES

Dow Jones	Dec 27	Dec 23	Dec 22	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3792.93	3757.72	3762.19	3792.93 (27/12)	3241.95 (20/1)	3792.93 (27/12/93)	41.22 (2/7/32)
Home Bonds	104.99	111.28	111.09	111.28 (10/12)	103.49 (11/1)	111.28 (10/12/93)	54.99 (1/10/81)
Transport	1770.47	1761.45	1765.53	1771.95 (13/12)	1453.84 (4/1)	1771.95 (13/12/93)	12.32 (8/7/32)
Utilities	230.42	229.24	229.77	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3804.65 (3791.61) Low 3750.46 (3739.56) (Theoretical♦)
Day's high 3782.93 (3774.21) Low 3754.93 (3757.72) (Actual♦)

Standard and Poors	Dec 27	Dec 23	Dec 22	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	470.55	467.38	467.32	470.55 (27/12)	429.05 (8/1)	470.55 (27/12/93)	4.40 (1/6/32)
Industrials♥	543.50	539.62	539.32	543.64 (27/12)	498.48 (26/4)	543.64 (27/12/93)	3.62 (21/6/32)
Financial	44.85	44.52	44.57	48.40 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	260.07	258.48	258.15	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (25/4/42)
Amex Mkt Val	467.16	465.32	462.83	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Cmp	761.05	756.70	756.07	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

RATIOS

	Dec 17	Dec 10	Dec 3	Year ago
Dow Jones Ind. Div. Yield	2.67	2.67	2.70	3.12
	Dec 22	Dec 15	Dec 8	Year ago
S & P Ind. Div. yield	2.40	2.45	2.39	2.58
S & P Ind. P/E ratio	27.43	27.16	27.41	26.78

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	471.30	472.40	+0.70	472.50	470.60	25,484	180,387
Jun	472.05	473.45	+0.70	473.45	471.75	278	3,173
Sep	474.10	474.60	+0.25	474.60	473.05	1	772

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Merck	3,682,300	35⅛	+1
Merry Go Rd	2,998,800	3¼	+⅛
Wal-Mart	2,201,000	25¾	-¼
RJR Nabisco	2,072,400	6½	-⅛
Telfonos	1,638,800	65	+1
Paramount	1,449,500	78⅛	-½
Gen Motors	1,435,600	56⅛	+1
IBM	1,411,700	59⅛	+½
Chrysler	1,358,100	53¼	-⅛
WMX Tech	1,309,300	26⅞	+⅛

TRADING ACTIVITY

● Volume (million)	Dec 27	Dec 23	Dec 22
New York SE	216,581	227.185	260.112
Amex	(u)	16.347	17.849
NASDAQ	(u)	(u)	301.684
NYSE			
Issues Traded	(u)	2,730	2,723
Rises	(u)	1,246	1,149
Falls	(u)	830	950
Unchanged	(u)	644	624
New Highs	(u)	108	69
New Lows	(u)	40	39

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close December 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15	11½	AAR	0.48	3.3	63	115	14¾	14½	14½	
29¾	12¾	A L Labs A	0.18	1.3	32	438	14	13⅞	14	+¾
67¾	54⅞	AMP	1.60	2.5	22	1468	63⅝	63⅛	63¼	-⅜
72¾	53½	AMR			63	949	67⅞	67⅛	67⅞	+¾
3⅞	1¾	ARX			14	311	3⅝	3⅜	3⅝	+⅛
51½	28⅞	ASA	2.00	4.2	31	401	48⅛	47⅜	48⅛	-⅛
30¼	22⅝	AbbtL	0.68	2.3	18	5326	30⅛	29¾	29¾	-¼
12⅝	6¼	AbitibiPr	0.50	4.3	7	22	11⅝	11⅝	11⅝	+⅛
15⅞	8¼	Acptncain			19	117	11¾	11¾	11¾	
36	25½	ACE Ltd	0.40	1.3	6	147	30⅛	29¾	30⅛	+¼
12⅝	10⅝	ACM Gvt In	1.06	8.8		581	12	11¾	12	
10⅛	9½	ACM GvOpp	0.80	8.3		47	9⅝	9⅝	9⅝	
10⅝	8¾	ACM Gvt Sp	0.95	9.4		333	10⅛	10	10⅛	+⅛
12¼	10½	ACM Gvt Sc	1.04	8.8		622	11¾	11½	11¾	+¼
12¼	9⅝	ACM Man x	1.13	10.0		182	11⅜	11⅛	11¼	
9⅞	8⅝	ACM Managd	0.72	7.9		78	9⅛	9	9⅛	+⅛
12⅞	7¾	AcmeClv	0.44	4.5	12	70	10	9½	9¾	-⅛
11⅞	6⅝	Acme Elect			38	28	8⅝	8¼	8⅝	
27⅞	10⅞	Acordia	0.44	1.9	13	37	23¾	23⅛	23¾	-⅛
16	10⅞	Acuson			57	606	12⅞	12⅝	12¾	
21¾	17¾	Adams Exp	0.52	2.9	0	32	18	17⅞	18	
60¼	45½	Ad Micro	3.00	6.3		286	48	47⅝	47⅝	+¼
32¾	17	AdvMic	3.00	16.6	6	5972	18¼	17⅞	18⅛	+⅝
8⅞	5½	Advest Grp	0.16	2.3	12	69	6⅞	6⅝	6⅞	+⅛
24¾	14¾	Advo Inc	0.08	0.5	82	192	17¼	16⅞	17¼	+¼
58½	41⅛	Aegon ADR	1.23	2.2	12	48	56	55½	56	-¼
60¾	43⅛	Aetna L	2.76	4.6	26	1241	60⅝	59⅞	60¼	+1⅞
34	24¾	Aflac	0.40	1.4	12	3548	28⅛	27⅝	27¾	
22⅛	16¾	Ahmans	0.88	4.6	8	1777	19¼	18⅞	19¼	

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4 pm close December 28

NYSE COMPOSITE PRICES

Continued from previous page

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		- S -								
22	15½	S Atlta Rt	1.38	7.9	12	93	17⅝	17¼	17¼	-⅜
20¾	12½	SCOR US Cp	0.32	2.5	180	29	12⅝	12⅝	12⅝	+⅛
30¼	15¾	SPS Te	1.28	6.9	7	64	18⅝	18	18½	-⅛
16⅞	12⅞	Sabine Rlt	0.96	6.8	9	21	14½	14¼	14⅜	+⅛
17⅝	8⅞	Safecard	0.20	1.1	16	2008	u18⅛	17⅝	18⅛	+⅛
28	16⅞	Safety'd Sc			10	78	23⅝	23¼	23¼	
		- T -								
9½	5⅛	TCBY Enter	0.20	3.1	25	151				
40	27¾	TCF Financ	0.75	2.4	7	194				
10⅝	8¾	TCW Conv S x	1.17	12.3		678				
38	26⅝	TDK Corp A	0.47	1.4	28	14				
3¾	1½	T I S Mtge	0.20	12.3	0	445				
34¼	24½	TJX	0.50	1.7	18	1551				
19½	14⅝	TNP Enterp	1.63	9.8	30	258				
70	52½	TRW	1.88	2.7	20	584				

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NASDAQ NATIONAL MARKET

4 pm close December 28

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AMEX COMPOSITE PRICES

4 pm close December 28

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AMERICA

Dow remains close to high for the year

Wall Street

Although US stock markets saw early selling yesterday morning, the losses were relatively limited and share prices remained close to the record highs set on Monday, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 0.56 at 3,792.37. The more broadly-based Standard & Poor's 500 was also little changed at the halfway mark, up 0.25 at 470.79, while the American Stock Exchange composite index was 1.39 higher at 468.55 and the Nasdaq composite up 1.56 at 762.62. Trading volume on the NYSE was 120m shares by 1 pm.

Sentiment remained positive as investors headed into the new year in an upbeat mood. Trading, however, was subdued because many investors were away for an extended holiday. Yesterday's early selling was to be expected, given the extent of the market's gains the previous day.

On Monday, the Dow jumped 35.21 to a record high of 3,792.93, while the S & P 500 put on 3.16 at 470.54, also a record high. The Amex composite firmed 1.84 to 467.16 and the Nasdaq composite added 2.36 to end at 761.06. Trading volume on Monday was 171m shares.

US share prices have been pushing ahead to new peaks because of several factors. They include: fresh evidence of the strengthening economy; strong overseas markets; and signs that the Federal Reserve is not yet ready to raise interest rates to slow down economic growth and restrain inflation.

Yesterday, investors received good news from the Conference Board, which reported that its closely-followed index of consumer confidence jumped to 80.2 in December, up from 71.9 in November. Sentiment was also buoyed by fresh declines in commodity prices, including oil.

Among individual stocks, semiconductor issues were in demand on the news that the Clinton administration had called for emergency talks on semiconductor trade with Japan in the wake of figures showing a decline in foreign companies' share of the Japanese semiconductor market. Motorola rose $1¼ to $92¼, Texas Instruments firmed $1 to $63¾, and Intel, which is traded on the Nasdaq market, added $1⅛ at $64⅞.

Various cyclical stocks succumbed to profit-taking from the start. Caterpillar slipped $¼ to $89¾, International Paper fell $¼ to $67¾, and Union Carbide eased $¼ to $22⅛.

Auto stocks, however, remained in good demand as investors bet that sales of new cars and trucks would stay healthy throughout early 1994. Chrysler rose $1 to $54¼, Ford put on $⅞ at $65⅞ and General Motors firmed $¼ to $56⅞.

On the Nasdaq market, QVC Network fell $1⅞ to $37⅞ amid reports that if it succeeds with its $10bn bid for Paramount Communications it will be forced to take billions of dollars in goodwill charges for the next 20 to 40 years.

Canada

Toronto firmed in thin midday dealings as the market continued to catch up with New York's solid Monday performance. The rise was broadly based with all 14 of the TSE's sub-indices gaining ground, led by financial services, base metal and energy shares.

The TSE 300 composite index jumped 36.09 to 4,282.48 in trade of a scant 22.69m shares.

SOUTH AFRICA

Strong demand for second-tier industrial stocks helped the market ahead although a firmer financial rand and light profit-taking capped gains in thin trade. The gold index shed 27 to 2,157, industrials rose 46 to 5,487 and the overall index put on 8 to 4,797.

ASIA PACIFIC

Hong Kong surges 4.8% in record setting region

Roundup

Pacific Rim markets remained in buoyant mood after Monday's sparkling performances which brought records in Bangkok, Jakarta, Kuala Lumpur, Manila, Singapore, and Taiwan. A further clutch of records were set yesterday as bull runs were extended in some markets and others returned after an extended weekend holiday, determined to catch up. Australia and New Zealand were closed.

HONG KONG surged 4.8 per cent to a record close, the Hang Seng index making its biggest one-day jump ever as foreign funds poured into the market after the holiday.

The index finished 530.38 higher at 11,570.22. The previous largest single day rise was the 394.40 advance seen on December 16. Preliminary turnover was a robust HK$9.61bn against the final HK$4.75bn for Friday's half-day session.

Gains were across the board but property counters led on hopes of strong profits due to a relaxation of building controls in the Kowloon district and record land prices.

SINGAPORE's bull run continued, pushing the Straits Times Industrials index to up 13.94 to a new closing high of 2,392.37, in spite of profit-taking after Monday's trade, which also set a record.

Intra-day losses were erased when selling was well absorbed by investors still hopeful of making gains ahead of the new year, brokers said.

BANGKOK extended its record breaking rally in very heavy turnover, closing sharply higher for the sixth straight session. The SET Index added 44.57 or 2.8 per cent to 1,652.69, taking the cumulative advance to 10.4 per cent over the past week.

KARACHI broke into record territory at the close amid a sense of optimism on strong buying from overseas. The KSE 100-share price index rose 33.88 to 2,100.60.

TAIWAN closed at a 29-month high as financials surged, although most other sectors fell on profit-taking after the recent bull run. The weighted index, which rose 85 points at one stage, finished 10.07 higher at 5,501.75, in heavy turnover of T$85.2bn.

KUALA LUMPUR closed higher but off the day's best after late profit-taking trimmed a strong early advance. Active institutional and foreign buying pushed the composite index to a record intra-day high of 1,225.25 before closing at 1,223.05, up 17.77.

MANILA took a rollercoaster ride, with prices surging at the opening and falling sharply on profit-taking before bouncing back at the close. The composite index fell 4.97 from Monday's record, to 3,165.65.

SEOUL ended easier on the last day of 1993 trading after heavy selling by the Korea Securities Market Stabilisation Fund in an attempt to cool the market. The composite index fell 7.70 to 866.18.

Tokyo

After an aggregate loss of 3.6 per cent on Friday and Monday, Japanese equities recovered half of those losses yesterday, *writes Wayne Lionel Aponte in Tokyo.*

The Nikkei 225 index rose 311.33 to 17,131.21 in light trading, but on on steady buying from investment trusts and bargain hunters. On Monday, the 225-average declined by 321.23 to 16,819.88, after shedding 304.63 to 17,141.11 on Friday; it fluctuated between 16,853.99 and 17,147.61 yesterday.

The Topix Index of all first section issues ended 19.81, or 1.4 per cent higher at 1,427.19. Turnover was estimated at 200m shares compared with 190m on Monday and 206m on Friday. Advances led declines by 658 to 292 with 172 unchanged.

Japanese brokers said that market sentiment remains bearish in spite of the session's gains, due to uncertainty about the timing of an economic stimulus package and any political reform by the administration of Mr Morihiro Hosokawa, the prime minister. Government officials agreed that an income tax cut is of primary importance, but the announcement was already factored into the market.

According to Mr Yuichi Matsushita, senior market strategist at Nikko Securities, hopes of an year-end rally during the next two trading sessions are likely to be disappointed. Investors are now cautious about the first quarter of 1994, in the absence of any fresh incentives – and with the weakness in the overall economy illustrated by the recent 6.9 per cent year-to-year decline in the nation's retail sales for a 18th consecutive monthly drop.

Chart analysts expect the Nikkei average to above last year's close of 16,924.95, but to stay within a narrow range between 17,000 to 17,300 with foreign investors on holiday and most domestic market participants on the sidelines.

Small-lot buys from investment trusts lifted major steelmakers. Nippon Steel gained Y6 at Y303, Kawasaki Steel Y8 at Y309, NKK Y7 at Y237 and Sumitomo Metal Industries Y10 at Y260. The heavy electronic sector benefited from the day's rally. Toshiba advanced Y18 at Y685, while Hitachi moved Y17 higher at Y810.

Profit-taking cut the gains of Mazda Motors. Investors dumped shares after buying on Monday, on the news that the Japanese carmaker and the US-based Ford Motor will strengthen their ties. Mazda fell Y15 to Y383.

In Osaka, the OSE average ended 220.05 higher at 18,964.39, in volume of 31m shares.

EUROPE

Bourses take profits in post-holiday consolidation

After a level day on Friday and a lot of excitement on Monday as the year-end rally appeared to resume, bourses fell on a round of profit-taking, *writes Our Markets Staff.*

FRANKFURT's DAX index hit an high of 2,253.98 on Monday, up 31.14, peaked at 2,284.56 early yesterday and closed 11.16 lower at 2,242.82, nearly a percentage point higher than when the holiday began.

Turnover rose from DM8.95bn to DM10.45bn. One consistent feature of both days was the recovery in Metallgesellschaft, up DM17.30 on Monday, and another DM13.80 to DM291 yesterday for a two-day gain of 11.9 per cent on hopes that its new chairman, Mr Kajo Neukirchen, will be able to restructure it effectively.

Sectors which saw continued gains included chemicals where BASF, up DM1 to DM301.80, and Hoechst, DM1.70 better at DM316.50, both hit new 1993 highs; and carmakers, where BMW and Daimler rose DM1 to DM717, and DM2 to DM832.50. BMW said yesterday that it would make a profit in 1993, and all four posted gains of more than 2 per cent on Monday.

PARIS fell back, consolidating after setting its third consecutive high on Monday. The CAC-40 index ended 11.91 lower at 2,264.64 in turnover of FFr3.5bn.

Insurers, actually or relatively weak on Monday, suffered further from fears of the impact on their results of severe flooding in northern and eastern France. UAP lost FFr16 at FFr640, AGF FFr11 at FFr688 and GAN FFr19 at FFr528.

Euro Disney dropped another FFr1.35 to FFr29.05 after losing FFr2.80 on Monday, for a two-day drop of 12.5 per cent. Monday's slide reflected a report that banks were being offered 55 per cent of face value for Euro Disney debt. Yesterday, it was confirmed that minority shareholders had asked the French COB to look into changes in the company's accounting methods.

MADRID lost Monday's gains and more, the general index closing 4.37 lower at 319.34. Banks were especially weak, with attention fixed on Banesto, suspended by the National Securities Market Commission at lunchtime, having lost Pta140 pesetas to Pta1,995 amid rumours that the Bank of Spain was looking into its accounts. The central bank's move to replace the board with a provisional administration, came after the market had closed.

ZURICH's profit-taking brought to an end a rally over the previous six sessions, which saw a succession of record closes. The SMI index fell 41.7 or 1.4 per cent to 2,930.9. CS Holding, trading for the first time since the five for one share split, shed SFr28 or 3.2 per cent to SFr728.

Other recent high-flyers suffered from profit-taking: Ciba-Geigy bearers eased SFr15 to SFr900. Swiss Re, still under pressure after its recent share split, closed SFr12 lower at SFr737.

MILAN finished ahead but below session highs, as weakness elsewhere brought profit-takers in late. The Comit index added 3.74 to 617.99 as turnover picked up from Monday's L230bn, little more than a third of the daily average over the last month.

The market balanced anxiety over potential delays in calling the general election against hopes of lower interest rates in coming weeks and the usual new year influx of retail demand. Montedison saw speculative interest from traders seeking to cash in on intra-day fluctuations, closing L16.40 lower at L882.60, after a day's high of L907.00.

Banks found renewed demand: BCI added L55 to L5,236 in volume of 3.5m shares while Credito Italiano rose L19 to L2,295 in 6.7m.

AMSTERDAM was lower as option-related business and selling by several German investment funds pulled prices back from Monday's record highs. The CBS Tendency index shed 1.70 to 148.10.

Publishers, recently outperformers, were hit hardest. Wolters Kluwer sagged Fl 4.00 to Fl 124.50 in fair volume as CLN Oyens & Van Eeghen downgraded the share from a buy to a hold. VNU shed Fl 1.60 to Fl 173.90 and Elsevier lost Fl 2.70 to Fl 182.20.

ABN-Amro eased 20 cents to Fl 70.70 amid market rumours that a US investor was about to sell 2m of the bank's shares.

COPENHAGEN's KFX index added 1.34 or 1.3 per cent to 106.65 as strong demand emerged in a market with a dearth of sellers. Novo Nordisk put on DKr12 to DKr662, with Sophus Berendsen B DKr10 up at DKr534.

ATHENS jumped in heavy, across-the-board trading as continued strength in building stocks led shares higher. The general index closed 25.17 or 2.8 per cent higher 935.17 in turnover of about Dr7.2bn, almost twice last week's daily average.

BRUSSELS, closed on Monday, caught up with the Bel-20 index closing 11.13 higher at a new high of 1,473.53, in turnover of BFr1.66bn after Belgium a cut its central bank rate by 15 basis points to 7.25 per cent.

Written and edited by William Cochrane and Michael Morgan.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Dec 24 Hourly changes	Open†	10.30†	11.00†	12.00†	13.00	14.00	15.00	Close†
FT-SE Eurotrack 100	1459.44	1459.10	1459.00	1458.88	-	-	-	1459.40
FT-SE Eurotrack 200	1531.21	1532.22	1531.50	1533.47	-	-	-	1535.06

	Dec. 23	Dec. 22	Dec. 21	Dec. 20	Dec. 17
FT-SE Eurotrack 100	1459.50	1451.84	1442.03	1437.37	1419.34
FT-SE Eurotrack 200	1532.40	1516.71	1508.76	1510.32	1498.75

Base value 1000 (26/10/90); Highday: 100 - 1460.12; 200 - 1535.30 Lowday: 100 - 1457.97 200 - 1530.24† Partial.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 24 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY DECEMBER 23 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	160.01	+1.1	157.94	112.17	141.01	156.87	+1.0	3.28	158.26	156.01	110.59	139.34	155.37	162.83	117.39	124.40
Austria (17)	184.64	+0.0	182.25	129.44	162.71	162.41	+0.0	0.96	184.60	181.97	129.00	162.53	162.41	184.64	131.16	136.69
Belgium (42)	165.02	+0.3	162.89	115.67	145.42	143.86	+0.5	4.00	164.61	162.26	115.02	144.93	143.09	165.02	131.19	135.93
Canada (107)	132.96	-0.5	131.24	93.20	117.16	128.29	+0.0	2.62	133.66	131.76	93.40	117.68	128.29	135.71	111.41	115.86
Denmark (32)	245.93	+0.0	242.75	172.40	216.72	221.43	+0.0	1.02	246.02	242.52	171.92	216.61	221.43	246.02	185.11	192.23
Finland (23)	125.50	-0.1	123.88	87.98	110.60	149.06	+0.0	0.70	125.58	123.78	87.76	110.57	149.06	128.99	65.50	69.99
France (98)	177.80	+0.2	175.50	124.63	156.67	161.21	+0.3	2.89	177.53	175.00	124.05	156.29	160.68	177.80	142.72	149.30
Germany (60)	141.30	-0.1	139.47	99.07	124.52	124.52	+0.0	1.66	141.43	139.41	98.84	124.52	124.52	141.43	101.59	104.80
Hong Kong (55)	453.56	+1.4	447.70	317.95	399.71	449.72	+1.4	2.43	447.25	440.88	312.54	393.80	443.46	453.56	218.82	219.30
Ireland (14)	184.71	+0.1	182.32	129.48	162.77	181.49	+0.2	3.12	184.47	181.84	128.91	162.41	181.07	184.71	128.28	138.92
Italy (69)	69.77	-0.5	68.86	48.90	61.48	86.80	+0.0	1.89	70.14	69.15	49.01	61.76	86.80	78.93	53.78	55.70
Japan (469)	129.88	-1.8	128.20	91.05	114.47	91.05	-1.5	0.90	132.32	130.44	92.47	116.52	92.47	165.91	100.75	109.67
Malaysia (69)	571.05	+1.8	563.67	400.30	503.21	565.55	+2.0	1.29	560.92	552.93	391.96	493.85	554.33	571.05	251.66	268.41
Mexico (19)	2359.12	+2.3	2328.63	1653.76	2078.92	8010.13	+2.2	0.61	2305.63	2272.81	1611.16	2029.96	7839.85	2359.12	1410.30	1652.73
Netherland (26)	201.55	-0.2	198.94	141.29	177.61	174.82	-0.1	3.03	202.03	199.15	141.18	177.88	174.92	202.03	150.39	154.09
New Zealand (14)	64.67	+1.1	63.84	45.34	56.99	61.42	+1.0	3.81	63.96	63.05	44.69	56.31	60.79	68.38	40.56	42.35
Norway (33)	178.21	-0.2	175.91	124.93	157.05	178.28	+0.0	1.43	178.64	176.10	124.84	157.29	178.28	185.10	137.71	142.31
Singapore (33)	354.21	+0.8	349.64	248.31	312.14	260.11	+1.0	1.28	351.25	346.25	245.46	309.25	257.61	354.21	207.04	209.45
South Africa (60)	250.08	+2.2	246.85	175.31	220.37	241.33	+1.8	2.31	244.66	241.16	170.97	215.41	237.01	250.08	144.72	145.95
Spain (42)	143.11	-0.1	141.26	100.32	126.11	151.24	+0.0	3.96	143.31	141.27	100.15	126.18	151.24	145.24	115.23	121.00
Sweden (36)	196.26	+0.0	193.72	137.58	172.95	238.46	+0.0	1.46	196.20	193.41	137.11	172.75	238.46	208.92	149.70	167.93
Switzerland (49)	165.34	-0.3	163.21	115.91	145.72	147.45	+0.0	1.47	165.88	163.50	115.91	146.05	147.46	165.88	108.91	113.32
United Kingdom (215)	207.58	+0.3	204.90	145.51	182.91	204.90	+0.4	3.50	206.94	204.00	144.60	182.18	203.99	207.58	182.00	173.39
USA (518)	190.23	+0.0	187.77	133.36	167.64	190.23	+0.0	2.74	190.23	187.52	132.94	167.49	190.23	191.56	175.38	179.52
Europe (746)	171.82	+0.1	169.60	120.45	151.42	163.65	+0.2	2.76	171.71	169.26	119.99	151.19	163.47	171.82	133.92	137.38
Nordic (114)	189.52	+0.0	187.07	132.86	167.01	198.13	+0.0	1.26	189.55	186.85	132.46	166.89	198.13	194.54	142.13	161.39
Pacific Basin (715)	143.33	-1.3	141.48	100.48	126.31	103.61	-1.0	1.17	145.19	143.12	101.46	127.83	104.66	168.60	105.89	113.85
Euro-Pacific (1461)	155.03	-0.7	153.03	108.67	136.61	128.71	-0.4	1.90	156.07	153.85	109.05	137.40	127.28	162.88	117.28	123.37
North America (625)	186.66	+0.0	184.25	130.87	164.52	185.98	+0.0	2.73	186.70	184.04	130.46	164.41	185.98	187.68	171.51	175.56
Europe Ex. UK (531)	149.47	-0.1	147.54	104.80	131.75	140.02	+0.1	2.26	149.62	147.49	104.57	131.76	139.89	149.62	112.51	116.89
Pacific Ex. Japan (246)	271.39	+1.3	267.88	190.28	239.18	250.25	+1.4	2.36	267.80	263.96	187.17	235.80	246.91	271.39	152.70	154.90
World Ex. US (1647)	156.95	-0.6	154.92	110.03	138.31	129.92	-0.4	1.91	157.84	155.59	110.31	138.98	130.39	162.89	118.51	124.31
World Ex. UK (1950)	163.20	-0.4	161.09	114.41	143.83	143.37	-0.3	2.07	163.90	161.57	114.54	144.32	143.80	168.66	134.22	138.96
World Ex. So. Af. (2105)	166.56	-0.4	164.41	116.78	146.79	147.88	-0.2	2.22	167.20	164.82	116.85	147.22	148.25	170.46	137.29	142.06
World Ex. Japan (1636)	188.08	+0.2	185.65	131.86	165.77	183.43	+0.2	2.68	187.75	185.06	131.21	165.33	182.98	188.08	157.47	160.37
The World Index (2165)	167.05	-0.4	164.80	117.11	147.22	148.64	-0.2	2.22	167.64	165.26	117.15	147.61	148.97	170.66	137.32	141.96

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PLEASE NOTE: WM/Reuters closing spot rates will be used in the calculation of The FT-Actuaries World Indices with effect from December 29 1993. Markets closed 24/12/93: Austria, Canada, Denmark, Finland, Germany, Italy, Norway, Spain, Sweden, Switzerland and USA. Markets closed 27/12/93: Australia, Belgium, Canada, Hong Kong, Ireland, New Zealand and United Kingdom.

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY DECEMBER 27 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY DECEMBER 24 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	160.03	+0.0	157.83	112.84	141.61	156.87	+0.0	3.28	160.01	157.94	112.17	141.01	156.87	162.83	117.39	124.01
Austria (17)	186.47	+1.0	183.85	131.45	164.96	164.66	+1.4	0.97	184.64	182.25	129.44	162.71	162.41	186.47	131.16	137.64
Belgium (42)	165.02	+0.0	162.70	116.31	145.97	143.86	+0.0	4.00	165.02	162.89	115.67	145.42	143.86	165.02	131.19	135.22
Canada (107)	133.46	+0.4	131.58	94.07	118.05	128.29	+0.0	2.62	132.96	131.24	93.20	117.16	128.29	135.71	111.41	115.70
Denmark (32)	248.14	+0.9	244.65	174.92	219.50	224.35	+1.3	1.01	245.93	242.75	172.40	216.72	221.43	248.14	185.11	191.82
Finland (23)	123.53	-1.6	121.79	87.08	109.28	148.24	-0.6	0.71	125.50	123.88	87.98	110.60	149.06	128.99	65.50	68.85
France (98)	179.49	+1.0	176.96	126.52	158.77	163.23	+1.3	2.85	177.80	175.50	124.63	156.67	161.21	179.49	142.72	148.32
Germany (60)	142.38	+0.8	140.38	100.38	125.95	125.95	+1.2	1.64	141.30	139.47	99.07	124.52	124.52	142.38	101.59	104.81
Hong Kong (55)	453.56	+0.0	447.17	319.71	401.24	449.72	+0.0	2.43	453.56	447.70	317.95	399.71	449.72	453.56	218.82	222.99
Ireland (14)	183.90	-0.4	181.31	129.63	162.68	181.49	+0.0	3.12	184.71	182.32	129.48	162.77	181.49	184.71	128.28	137.70
Italy (69)	69.71	-0.1	68.73	49.14	61.67	87.25	+0.5	1.88	69.77	68.86	48.90	61.48	86.80	78.93	53.78	55.02
Japan (469)	127.19	-2.1	125.39	89.65	112.52	89.65	-1.5	0.91	129.88	128.20	91.05	114.47	91.05	165.91	100.75	108.42
Malaysia (69)	581.28	+1.8	573.09	409.73	514.19	579.15	+2.4	1.28	571.05	563.67	400.30	503.21	565.55	581.28	251.66	264.53
Mexico (19)	2362.65	+0.1	2329.30	1665.44	2090.01	8020.82	+0.1	0.61	2359.12	2328.63	1653.76	2078.92	8010.13	2362.65	1410.30	1668.91
Netherland (26)	202.48	+0.5	199.62	142.72	179.11	176.23	+0.8	3.01	201.55	198.94	141.29	177.61	174.82	202.48	150.39	163.23
New Zealand (14)	64.68	+0.0	63.77	45.59	57.22	61.42	+0.0	3.81	64.67	63.84	45.34	56.99	61.42	68.38	40.56	42.32
Norway (33)	181.12	+1.6	178.57	127.68	160.23	181.44	+1.8	1.41	178.21	175.91	124.93	157.05	178.28	185.10	137.71	138.13
Singapore (38)	361.71	+2.1	356.62	254.97	319.97	266.70	+2.5	1.26	354.21	349.64	248.31	312.14	260.11	361.71	207.04	211.37
South Africa (60)	253.44	+1.3	249.87	178.65	224.19	244.57	+1.3	2.28	250.08	246.85	175.31	220.37	241.33	253.44	144.72	146.56
Spain (42)	143.31	+0.1	141.29	101.02	126.77	151.78	+0.4	3.94	143.11	141.26	100.32	126.11	151.24	145.24	115.23	117.99
Sweden (36)	194.59	-0.8	191.85	137.17	172.14	238.45	+0.0	1.46	196.26	193.72	137.58	172.95	238.46	208.92	149.70	166.56
Switzerland (49)	164.98	-0.2	162.66	116.30	145.96	147.75	+0.2	1.46	165.34	163.21	115.91	145.72	147.45	165.88	108.91	113.59
United Kingdom (215)	207.83	+0.1	204.90	146.49	183.83	204.90	+0.0	3.50	207.58	204.90	145.51	182.91	204.90	207.83	182.00	171.23
USA (518)	191.42	+0.6	188.72	134.94	169.34	191.42	+0.6	2.73	190.23	187.77	133.36	167.64	190.23	191.56	175.38	179.39
Europe (746)	172.29	+0.3	169.87	121.45	152.42	164.61	+0.5	2.75	171.82	169.60	120.45	151.42	163.65	172.29	133.92	136.27
Nordic (114)	188.34	-0.4	186.18	133.11	167.05	198.84	+0.4	1.25	189.52	187.07	132.86	167.01	198.13	194.54	142.13	160.16
Pacific Basin (715)	141.04	-1.6	139.05	99.42	124.76	102.63	-1.1	1.19	143.33	141.48	100.48	126.31	103.61	168.60	105.89	110.97
Euro-Pacific (1461)	153.89	-0.7	151.72	108.47	136.12	128.20	-0.4	1.91	155.03	153.03	108.67	136.61	128.71	162.88	117.28	121.21
North America (625)	187.81	+0.6	185.16	132.40	166.16	187.09	+0.6	2.72	186.66	184.25	130.87	164.52	185.98	187.81	171.51	175.44
Europe Ex. UK (531)	150.04	+0.4	147.93	105.78	132.78	141.09	+0.8	2.26	149.47	147.54	104.80	131.75	140.02	150.04	112.51	115.33
Pacific Ex. Japan (246)	272.81	+0.5	268.97	192.34	241.36	251.91	+0.7	2.37	271.39	267.88	190.28	239.18	250.25	272.81	152.70	155.85
World Ex. US (1647)	155.92	-0.7	153.72	109.92	137.93	129.47	-0.3	1.92	156.95	154.92	110.03	138.31	129.92	162.89	118.51	122.25
World Ex. UK (1950)	162.86	-0.2	160.57	114.81	144.05	143.40	+0.0	2.08	163.20	161.09	114.41	143.83	143.37	168.66	134.22	137.65
World Ex. So. Af. (2105)	166.25	-0.2	163.91	117.20	147.08	147.89	+0.0	2.23	166.56	164.41	116.78	146.79	147.88	170.46	137.29	140.84
World Ex. Japan (1636)	189.00	+0.5	186.34	134.24	167.22	184.45	+0.6	2.67	188.08	185.65	131.86	165.77	183.43	189.00	157.47	159.82
The World Index (2105)	166.77	-0.2	164.42	117.56	147.53	148.62	+0.0	2.23	167.05	164.80	117.11	147.22	148.64	170.66	137.32	140.57

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PLEASE NOTE: WM/Reuters closing spot rates will be used in the calculation of The FT-Actuaries World Indices with effect from December 29 1993. Markets closed 24/12/93: Austria, Canada, Denmark, Finland, Germany, Italy, Norway, Spain, Sweden, Switzerland and United Kingdom. Markets closed 27/12/93: Australia, Belgium, Canada, Hong Kong, Ireland, New Zealand and United Kingdom.